FORM 10-KSB
U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2001

For the transition period from _____ to _____

Commission file number 0-13215

LATINOCARE MANAGEMENT CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	30-0050402
(State of Incorporation)	(I.R.S. Employer Identification No.)

4150 Long Beach Boulevard, Long Beach, California 90807
(Address of principal executive offices) (Zip Code)

(562) 997-4420
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(B) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK	OTC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |X|

The aggregate market value of voting stock held by non-affiliates of the registrant was $1,321,819 as of December 31, 2001 (computed by reference to the last sale price of a share of the registrant's Common Stock on that date as reported by NASDAQ).

There were 14,529,100 shares outstanding of the registrant's Common Stock as of March 31, 2002.

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PART I

ITEM 1. BUSINESS

General

Latinocare Management Corporation is a Nevada corporation (the "Company") formerly known as JNS Marketing, Inc. ("JNS") originally incorporated in Colorado in July 1983. In October 2001 the Company completed a Share Purchase Agreement with Latinocare Management Corporation, a California corporation ("LMC"), pursuant to which LMC acquired 3,270,000 of the issued and outstanding common stock of JNS in exchange for $300,000 and 260,000 newly issued shares of common stock. Subsequently, LMC and JNS entered into an Agreement and Plan of Reorganization (the "Reorganization") which resulted in a share exchange between the shareholders of LMC and JNS. Pursuant to the Reorganization, LMC became a wholly owned subsidiary of JNS and the shareholders of LMC became the controlling shareholders of JNS. Prior to its business combination with LMC, JNS had no tangible assets and insignificant liabilities. Subsequent to the Reorganization the Company reincorporated in the State of Nevada and changed its name to Latinocare Management Corporation.

LMC is a Management Services Organization ("MSO") engaged in the business of managing LatinoCare Network Medical Group ("LNMG"), an Independent Physician Association ("IPA") which primarily services the growing Latin American community in the United States, and in particular in California. LMC is

also capable and has the right to manage other IPAs and is currently forming a new medical network in Arizona. LNMG is a licensed IPA able to accept risk for physician services from third-party payors and self-insured employers. Pursuant to the management services agreement between LMC and LNMG, dated November 30, 1995, LMC is LNMG's exclusive MSO until the expiration of the management agreement on November 30, 2020. As consideration for managing LNMG's operations, LMC receives a monthly management fee equal to 16% of the capitation fees earned by LNMG. LMC also receives 25% of any hospital risk pool funds received by LNMG after all financial obligations are met and 25% of any specialty risk pool funds received by LNMG.

LNMG was owned and managed by Dr. Roberto Chiprut, a former director of the Company, until his recent death. In light of Dr. Chiprut's recent death, LMC has the contractual right to purchase Dr. Chiprut's shares of LNMG and to designate a physician shareholder to hold the shares. LMC must designate a physician shareholder to hold the shares because California law does not permit a MSO to hold shares in an IPA. Further, under California law, LMC must purchase the shares within 90 days after Dr. Chiprut's death.

Although the Latino community represents a significant portion of the patient base for healthcare services in the United States, many medical providers are not sensitive to the cultural, linguistic, or ethnic diversities of this population. LMC was established to fill this void on the local, state, and national levels. LMC's network of physicians provides the Latino community with affordable, qualified healthcare professionals, accessible services, and a full range of managed care health plans and programs. Additionally, LMC provides the infrastructure to support its physician network and to maximize available reimbursement dollars effectively.

The Company believes that the emerging managed care market is ready for LMC's services. The executive team is comprised of nationally renowned experts in their respective fields. The Company believes that its executive team has the vision and expertise to lead LMC into a successful national campaign. Management has built the preliminary infrastructure necessary to support a physician network, established protocols and procedures for efficient operations, established a physician network of over 2,500 doctors and approximately $10 million in capitation revenue to LNMG with a full range of specialties, and secured profitable and limited healthcare provider contracts with major health plans. Management continues to build the brand recognition associated with quality of care and has begun to lay the foundation for penetration by LMC into Florida, Texas, Arizona, Colorado, and New Mexico.

Additional financing will allow LMC to expand its operations through the acquisition of or merger with other MSOs, the introduction of new product lines, and the expansion of LNMG through the acquisition by LNMG of competing IPAs. More importantly, with additional financing, management believes that LMC will be able to move one step closer to becoming a physician organization recognized nationally by both health organizations and the general public.

Overview of the Health Care Market

The United States healthcare industry ranks second in dollar volume, eclipsed only by the manufacturing sector. Americans spend more money only on food and housing than on medical care. Healthcare ranks third in general public expenditures, following national defense and education. Healthcare is the

largest service industry in the United States. The United States spends more money on healthcare than all other industrialized nations spend on healthcare. Many Americans believe that healthcare is a right, as opposed to a privilege.

Emergence of Managed Care. Current healthcare industry trends are aimed at controlling costs while increasing access and quality. Managed care is the most prominent vehicle of change in the United States and is considered by many to be the most dramatic realignment of the nation's healthcare system in recent years. Along with managed care comes great change to the practice of medicine. Management believes that those companies who are prepared to manage this change will realize tremendous growth opportunities and profit potential.

Managed care is an umbrella term that encompasses a variety of prepaid and managed fee-for-service healthcare programs. Since profits are tied directly to controlling the cost and use of healthcare services, the fundamental financial incentives of healthcare delivery drastically change under managed care. In short, managed care works by managing the health of a population at a set price per member per month ("PMPM"). The difference between the cost of provided health services and the total prepaid amount of the population is the profit. This is a complete turnaround from the cost-based reimbursement system associated with traditional indemnity insurance, which encourages greater utilization. Under managed care, health plans are motivated to use more preventive care since critical medical care is typically more expensive.

Enrollment in managed care programs has increased dramatically during recent years. According to an industry report, in 1995, as many as 71% of those who obtained health services through an employer were in some form of managed care program as compared to 52% in 1993. Employers who provide health insurance to their employees realize several benefits from managed care programs. These programs stabilize expenses and give employers direct control over costs through the negotiation of contract prices. Government-funded health programs such as Medicare and MediCaid are also encouraging members to join managed care health plans.

Health plans can reimburse providers through a variety of complex contractual agreements that depend on the managed care environment in a particular market. To prosper under managed care, it is absolutely necessary for providers to understand how health plans reimburse in the local market. In places where the healthcare industry is heavily penetrated by managed care, capitation is the physician reimbursement model of choice for health plans. Capitation allows the health plan to pay the provider of health services on a PMPM basis, and pass on the risk of providing a defined set of services to the capitated entity. Since the health plans themselves are paid a flat amount per member, paying a provider organization a flat fee reduces the vulnerability of the plan by passing the uncertain elements of medical expense to the provider organization. Under capitation, physician organizations stand to earn profits if they have a substantial population and a financial and operational infrastructure to manage the professional risk; likewise, by capitating providers, health plans can focus on what they do best, increasing enrollment and developing networks.

One popular form of a physician organization is the IPA. An IPA is a network of independent physicians that contracts with a health plan as one group, while maintaining its medical infrastructure to assure quality and accountability. The strength of the IPA model is that it allows the individual

physician to maintain autonomy in the delivery of medicine, while realizing the benefits of group contracting and quality standards.

For an IPA to be successful, it must obtain health plan contracts to manage the healthcare needs of a given population and enroll patients who are covered by those contracts. Once a given market is saturated with contracts, as is the case in most of Southern California, the carriers will not typically issue any additional contracts. Exceptions arise when an opportunity niche within a saturated market can be reached. While the health plan contracts allow the IPA to be reimbursed by the carrier for medical services rendered, patients must also enroll with the IPA and be assigned to a primary care physician in the network. Once the patient is enrolled and assigned to a primary care physician, the IPA begins to receive capitation payments from the health plan. If the patients are healthy, they may rarely use health services and the IPA continues to be paid. Conversely, if the population is unhealthy, the IPA will not be able to charge the health plan any more than the pre-negotiated capitation amount.

In highly penetrated markets, expansion often takes place through the acquisition of or merger with existing IPAs and medical groups. Managing the business and expanding enrollment through mergers and acquisitions, however, requires significant amounts of capital that can be difficult for an IPA to obtain in certain states due to governmental restrictions.

Corporate Structure of Managed Care Providers. The healthcare industry is unique in that the providers of services, physicians, are rendering services to beneficiaries, patients, who are not directly paying for the services they receive. Under such a model, many avenues for fraud and abuse exist because of the lack of distinction between the customer and the consumer. It is no surprise that federal and state governments keep a very close eye on the medical industry. One issue that is regulated on a state level concerns the ownership of

medical corporations. Some states have statutes or judicial precedent restricting corporations from employing physicians. Although most states either do not have or do not enforce such statutes and precedent, the states that do frequently have provisions that exclude certain types of corporations, such as nonprofit corporations, physician-controlled corporations, HMOs, or hospitals. Some states aggressively regulate the corporate practice of medicine, specifically California, Colorado, Ohio, Iowa, and Texas. In these states, businesses must be very careful in the structuring of corporate practices as well as the ownership of the corporations.

In states such as California, non-physicians cannot employ physicians or own the professional component of a medical practice (this includes any equity investors). With this restriction, it would be difficult for an IPA to find enough capital to grow and continue developing networks solely through physician investment. Another issue faced by developing IPAs is the high cost of developing systems that allow an IPA to track and manage its contracts and patients. Furthermore, health plans will not contract with providers who do not have these mechanisms in place because the provider organization will go bankrupt if it is not prepared to manage the risk. One excellent and innovative solution to overcoming this barrier is the development of a Management Services Organization ("MSO"). A MSO is able to manage the operations of IPAs. LMC is a MSO formed to manage all operations of LatinoCare Network Medical Group, a licensed IPA able to accept risk for physician services from third-party payors and self-insured employers through an approved ERISA plan.

THE LATINO MARKET

The United States has the sixth largest Latino population in the world, exceeded only by Mexico, Spain, Colombia, Argentina, and Peru. Since the 1990s,

Latinos have been the fastest growing minority group in the United States. In the early 1990s, the Latino population constituted approximately eight percent of the total United States population. Today, that percentage continues to rise. The Latino population is the fastest growing minority group in the United States. California, in particular, has experienced exponential growth in this segment, surpassing even the national growth rate of 50% between 1980 and 1990. In 1997, the Latino population of Los Angeles County reached 4.4 million. By the end of the year 2020, that number is expected to climb to 10 million. Despite these statistics and high managed care penetration in areas with large Latino communities, the Company believes that the health care needs of the Latino population are not being met and that there continues to be a shortage of health services suitable for this market.

When examining the mortality statistics of the Latino population it is evident that the Hispanic community exhibits a very desirable health profile. The Latino population has a lower rate of prevalent causes of death than the white non-Latino population. Because the highest medical costs are incurred during incidents of terminal illnesses, a lower rate of prevalent causes of death implies an overall healthier population. When compared to the white non-Latino population, the Latino population also tends to have a lower infant mortality rate, smoke less, drink and use fewer drugs during pregnancy, and use the hospital less often.

Latinos are also less likely to seek medical services than other groups. These findings may seem counterintuitive, since one would expect a population with low access to healthcare to be sicker. The Latino community, however, is considered healthier because of its youth, work ethic, and overall well-being. The low utilization of healthcare services is a result of service barriers, and not the healthier position of the Latino community. The effect of these barriers is expressed in the high rate of chronic preventable diseases within the Latino population, which results in an increase risk of complications. Thus, despite an overall healthier population, the Latino community is at greater risk for certain diseases, such as severe diabetes.

Management believes that the specific issues that prevent Latinos from obtaining proper healthcare include language barriers, the values and attitudes of providers, and the assignment of various doctors to patients on multiple visits. Cultural insensitivity, disrespect, and other barriers are thought to characterize the typical treatment of Latinos by the healthcare industry. Although many Hispanics have gained some facility in English, management believes that the provision of health care to this community would be more effective if patients were able to communicate in their native tongue when discussing matters of health. In addition to language barriers, cultural differences must be considered in order to provide effective health management to the Latino population. For example, Latinos respond more positively to smoking cessation programs that show that smoking is harmful to the health of their families and children as opposed to programs that emphasize the personal hazards of smoking.

Designed with the specific purpose of filling this market niche, LMC believes that it provides the necessary healthcare components (education, service, and delivery) tailored to the Latino population. Comprised of a core of Latino leaders, management is well aware of the sensitivity that is needed to

care for the Latino population, and is taking an active role in the education of providers and members. As the Latino population becomes more informed about managed care, LMC plans to be prepared to take on the risk in accepting these lives with a well developed package of services.

Plans and Contracts

LMC secured its first health plan contract with Blue Shield in July 1995. Since securing its first health plan contract, LMC has obtained ten additional contracts with large medical insurance companies, including but not limited to Aetna, Cigna, HealthNet, Prudential, Universal Care, Care 1st Health Plan, U.H.P. Healthcare, and Blue Cross. Management believes that marketing has contributed to LMC's success. Since the Southern California market is saturated with contracts for managed health services, the primary means for an IPA to gain health plan contracts or membership lives is to merge with or purchase other IPAs. LMC, however, has been approaching the health plans with a strategy to capture the seemingly untapped Latino community. As a result, health plans have been awarding LMC new contracts, a policy that is not common to the market. In addition, most contracts awarded to LMC are not geographically restricted, which is an exception to many HMO contract policies. LMC believes that as membership increases, it will gain additional leverage for contracting and negotiating renewals.

Hospital Affiliations/networks

LMC has established partnerships with a number of area hospitals, from which it has been able to obtain nearly obligation-free financing for network development. By providing LMC with financing, each hospital gains a "friendly" physician network in its immediate area, which provides the hospital with a patient base. LMC benefits both financially and strategically through its partnerships and affiliations.

Cedars-Sinai Medical Center ("CSMC"), one of LMC's partners, has been LMC's largest single investor, providing over $1.75 million of financing to LMC. LMC has received less than $500,000 in financing from all other hospitals combined. Although CSMC has been more involved in the management of LMC than other partners, LMC's operations have not been effected. For example, CSMC imposes no conditions relating to patient care, including referral requirements.

CSMC financial support, in the form of a convertible note in the amount of $1,000,000, was issued November 30, 1996, and was converted into 20% of the outstanding common stock of LMC. On June 12, 2001, CSMC converted additional convertible notes totaling $750,000 into an additional 8% of the outstanding common stock of LMC. On July 23, 2001, CSMC sold its LMC common stock to LMC in consideration for a note in the amount of $1,750,000 plus simple interest at the rate of 6% per annum, payable $500,000 on or before 120 days from the date of the note, $500,000 on or before 240 days from the date of the note, and $750,000 plus accrued interest on or before 360 days from the date of the note. To date, the Company has not made any payments on the note. Consequently, CSMC has the right to convert the note into 28% of the outstanding common stock of the Company, or a pro rata share if the promissory note is partially repaid. The Company plans to negotiate with CSMC to amend the note, but there is no assurance that an amendment will be made. CSMC has not yet demanded a conversion of its note, and management believes that it may be receptive to a modification.

LMC currently has 26 completed networks and 26 hospital panels. A completed network includes a cluster of primary care physicians (usually 10 to

20), hospital-based providers, and coverage in 37 specialties. LMC's completed networks include, but are not limited to:

- California Hospital Medical Center /Suburban Hospital
- Granada Hills Community Hospital /Cedars-Sinai Medical Center
- UCI Medical Center
- LA Metropolitan Hospital
- Queen of the Valley
- St. Francis Medical Center
- San Gabriel Valley Medical Center
- Midway Medical Center
- Los Angeles Community Hospital

LMC expects to complete an additional three hospital affiliations within the next twelve months to complete coverage of San Bernardino, Long Beach, and the balance of Los Angeles and the San Fernando Valley.

Patient Enrollment

As of December 2001, LMC's combined contract enrollment totaled approximately 27,000 enrollees. With this size patient base, management believes that LMC has great potential to gain a considerable increase in market share in the near future. Except as described below, LMC has experienced continued and

considerable monthly growth during the past five years, and management projects growth to continue in the coming years. The following is an enrollment summary:

During 2001, LMC experienced an overall decrease in enrollment. The decrease was caused primarily by two factors. In October of 2001, Tower Corporation, one of the medical insurance companies with which LMC had a health plan contract, declared bankruptcy. As a result, LA Care, one of the corporations through which Medi-Cal benefits are provided in Los Angeles, reassigned Tower's approximately 4,000 enrollees to other contracted medical insurance companies. LMC did not have health plan contracts with these other medical insurance companies at the time of the reassignment. Subsequently, as the result of an agreement with LA Care, LMC now has health plan contracts with two of these medical insurance companies, Care 1st Health Plan and U.H.P. Healthcare, and is slowly recovering its lost membership. Additionally, LA Care has agreed to utilize its best efforts to assign enrollees who do not specify an IPA to enroll with LNMG and other affected IPAs with the goal of doubling the enrollment of LNMG and the other affected IPAs from the lost enrollment caused by Tower's bankruptcy. As of December 2001, Care 1st Health Plan and U.H.P. Health have assigned approximately 3,000 enrollees to LNMG.

The second factor is currently the subject of a lawsuit between LNMG and PacifiCare. In 2000, LNMG acquired the contracts and related enrollment of a medical group in San Diego which had a health plan contract with PacifiCare. Prior to the acquisition LNMG received written assurances from PacificCare that PacificCare would transfer its contract with LNMG. Shortly after the acquisition, PacificCare terminated its contract with LNMG and the provider in Chula Vista. The Chula Vista provider was forced to layoff several of its physicians. As a result, enrollment in San Diego has deceased from approximately 5,300 enrollees in November 2000 to approximately 1,600 enrollees currently.

Provider Networks

LMC's physician network has experienced considerable growth. Growing from less than 600 providers at the end of 1996, LMC now boasts over 2,500 network providers. With this expansive coverage, LMC can offer its members greater choice over a greater service area.

As required in its health plan contracts, LMC has ancillary networks of culturally sensitive providers in the following specialties:

Physical Therapy	Home Health
Occupational Therapy	Durable Medical Equipment
Speech Therapy	Infusion
Laboratory	Behavioral Health
Imaging Services	Chemotherapy

Internal Operations

Since its inception, LMC's management team has successfully organized and assembled an extensive and competent workforce. Each department is staffed with experts in their respective fields, and supervised by senior managers with wide ranges of experience. Staffing includes both clinical and professional components.

Top management has assembled the departments and corresponding procedures to offer full-service MSO/IPA management, in order to allow LMC to continue its current growth pattern. These departments now manage in excess of $25 million in capitation revenue and are supported by a database with the following details:

- Credentialing: over 2,500 physician and ancillary providers.
- Contracting: including 2,500 prospective providers in three states.
- Employer Groups: more than 400 prospective Latino-owned or Latino-employing businesses.
- Other Recruiting: health fair contact database of Latino community members.

LMC's offices are furnished with state-of-the-art computer systems, software to support managed care claims processing, eligibility, and encounters/authorizations, and a sophisticated telephone system. LMC occupies an entire building in Long Beach, California and presently has 39 full time employees. The office total space is designed to accommodate up to 80 employees.

Brand Identity

Management believes that LMC has successfully increased its awareness and brand identity through the use of various media and image and identity campaigns. Top management has been featured on most of the local network television broadcasts, including KNBC (channel 4), KTLA (channel 5), KABC (channel 7), KCAL (channel 9), and KTTV (channel 11). In addition, LMC has been

reviewed in feature articles in Modern Healthcare, The Los Angeles Times, L.A. Business Journal, MedFax, Hispanic Business Magazine, and La Opinion. In the reviews, LMC has been depicted as a progressive, high-quality organization. As a result, LMC has become a recognized organization in the healthcare industry and the Latino community.

Competition

The Company is subject to intense competition. The health care industry is highly fragmented, with many companies performing the services performed by the Company. Many of these competitors have limited operations, but several industry participants are comparable in size to or larger than the Company, have greater financial and managerial resources than the Company, and greater name recognition than the Company, but not in the Latino community.

Government Regulation

The Company is subject to various federal, state and local laws affecting medical services businesses. The Federal Trade Commission and equivalent state agencies regulate advertising and representations made by businesses in the sale of their products, which apply to the Company. The Company is also subject to government laws and regulations governing health, safety, working conditions, employee relations, wrongful termination, wages, taxes and other matters applicable to businesses in general.

Employees

LMC currently has currently has approximately 39 full time employees. The employees include two executive officers. The Company does not have any employment agreements or collective bargaining agreements with any of its employees, although it intends to enter into employment agreements with the executive officers in the future.

Seasonality

The Company's business is not expected to be substantially affected by seasonality.

Trademarks

The Company has not been issued any registered trademarks for its "Latinocare Management" trade name. The Company plans to file trademark and tradename applications with the United States Office of Patents and Trademarks for its proposed tradenames and trademarks. No assurance can be given that the Company will be successful in obtaining any trademarks, or that the trademarks,

if obtained, will afford the Company any protection or competitive advantages.

ITEM 2. PROPERTIES

The Company currently leases approximately 16,050 square feet of office space at 4150 Long Beach Boulevard, Long Beach, California 90807 for approximately $13,000 per month. The Company leases the space pursuant to a ten year lease which expires on April 30, 2010. After the first five years of the lease, the lease has a one year option to cancel the lease or to extend the lease for an additional two year period.

ITEM 3. LEGAL PROCEEDINGS

LNMG is currently the plaintiff in a lawsuit filed by it against PacificCare in 2001 for breach of contract. See "Item 1. Business - Patient Enrollment." The Company is not currently a party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 5, 2001, LMC and the Company entered into an Agreement and Plan of Reorganization (the "Reorganization") which resulted in a share exchange between the shareholders of LMC and the Company, effective November 30, 2001. Pursuant to the Reorganization, LMC became a wholly owned subsidiary of the Company and the shareholders of LMC became the controlling shareholders of the Company. Upon completion of the Reorganization, (a) the 3,270,000 shares of the common stock of the Company owned by LMC were retired and cancelled, and (b) the Company had a total of approximately 14,529,100 shares of its common stock outstanding. The Boards of Directors of both LMC and the Company unanimously approved the Reorganization. The holder of 3,270,000 shares or approximately 79% of the total issued and outstanding shares of the Company voted for the Reorganization. The holders of a substantial majority of the outstanding common stock of LMC voted for the Reorganization and the holders of a small minority of the outstanding shares abstained. No shares of LMC or the Company voted against the Reorganization. The members of the Board of Directors of the Company before the closing of the Reorganization were replaced with members of the LMC Board of

Directors.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on the NASD OTC Bulletin Board Market under the symbol "LCMC." The range of high and low bid quotations for each fiscal quarter within the last two fiscal years was as follows:

2001	HIGH	LOW
First quarter	$ .75	$.25
Second quarter	$0	$0
Third quarter	$1.25	$.375
Fourth quarter	$2.50	$.75

2000	HIGH	LOW
First quarter	$0	$0
Second quarter	$ .01	$0
Third quarter	$*	$*
Fourth quarter	$*	$*

*Stock was not approved for trading.

The above quotations reflect inter-dealer prices, without retail markup, mark-down, or commission and may not necessarily represent actual transactions.

As of December 31, 2001, there were approximately 72 record holders of the Company's common stock, not including shares held in "street name" in brokerage accounts which is unknown. As of December 31, 2001, there were approximately 14,529,100 shares of common stock outstanding.

The Company has not declared or paid any cash dividends on its common stock and does not anticipate paying dividends for the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Cautionary Statements

This Form 10-KSB contains financial projections, synergy estimates and other "forward-looking statements," as that term is used in federal securities laws, about Latinocare Management Corporation's financial condition, results of operations and business. These statements include, among others:

- statements concerning the benefits that the Company expects will result from its business activities and certain transactions the Company has completed, such as the potential for increased revenues, decreased expenses and avoided expenses and expenditures; and

- statements of the Company's expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts. These statements may be made expressly in this Form 10-KSB. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," or similar expressions used in this Form 10-KSB. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause the Company's actual results to be materially different from any future results expressed or implied by the Company in those statements. The most important facts that could prevent the Company from achieving its stated goals include, but are not limited to, the following:

  (a) volatility or decline of the Company's stock price;

  (b) potential fluctuation in quarterly results;

  (c) barriers to raising the additional capital or to obtaining the financing needed to implement its full business plans;

  (d) inadequate capital to continue business;

(e) changes in demand for the Company's products and services;

(f) rapid and significant changes in markets;

(g) litigation with or legal claims and allegations by outside parties;

(h) insufficient revenues to cover operating costs.

Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. The Company cautions you not to place undue reliance on the statements, which speak only as of the date of this Form 10-KSB. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on its behalf may issue. The Company does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-KSB or to reflect the occurrence of unanticipated events.

Results of Operations for Fiscal Year Ended December 31, 2001 Compared to Fiscal Year Ended December 2000

Total revenue for the twelve month period ending December 31, 2001 decreased by $577,963 to $2,342,882 from $2,882,845 in the prior year. The decrease in revenue for the twelve months ended December 31, 2001 as compared to the twelve months ended December 31, 2000 is primarily due to a decrease in

member months caused by (1) the bankruptcy of Tower Corporation, which represents the loss of 16,508 member months, and (2) the termination by PacifiCare of a contract with LNMG, which represents the loss of 24,435 member months. The impact of these two items accounts for a decrease of approximately $420,000 in revenue. The impact of the Tower bankruptcy was partially offset by two new HMO contracts completed during the last two months of 2001. These two new contracts accounted for approximately 5,000 member months during 2001 and, during 2002, are expected to exceed the member months lost due to the Tower bankruptcy. The remaining decrease in revenue is primarily the result of the Company's decision to end its participation in a state program which paid the Company a commission for registering individuals in a program called Health Families. LNMG continues to participate in the program as a provider, but the Company no longer recruits individuals to sign up for the program.

Operating and administrative expenses increased by $10,098 during the twelve months ended December 31, 2001 to $2,831,496 from $2,821,398 in the prior year. Salaries and benefits increased by $404,683 for the twelve months ended December 31, 2001 as compared to the twelve months ended December 31, 2000. This increase is due primarily to the following: (1) the Company's Chief Executive Officer, who had been compensated as a consultant for a portion of the twelve months ended December 31, 2001, was added to the Company's payroll, (2) the Company's business development department was expanded to promote employer and provider contact to increase the Company's visibility and membership, (3) the Company's health education and compliance departments were expanded to meet increased HMO and governmental requirements, and (4) core departments, including claims and provider services, were expanded to compensate for a loss of the Company's computer systems during June 2001 and the introduction of a new automated system which was implemented during the four months ended October 2001. Professional and consulting expenses decreased by $42,301 and general and administrative expenses decreased by $271,058 for the twelve months ended December 31, 2001 as compared to the twelve months ended December 31, 2000. Approximately $172,000 of the decrease in general and administrative expenses was attributable to the discontinuation of a state program in 2001 recruiting membership. Expenses related to the disposal of fixed assets and depreciation decreased by $81,226, and interest expense increased by $20,633 for the twelve months ended December 31, 2001 as compared to the prior year due to the issuance of an interest-bearing note to Cedars-Sinai Medical Center. The decrease in loss on assets abandoned is the result of non-recurring assets disposed of in 2000. The decrease in depreciation expense is primarily the result of assets becoming fully depreciated in 2000 or in the beginning of 2001.

For the twelve months ended December 31, 2001, the Company's consolidated net loss was $580,504 as compared to a consolidated net profit of $8,190 for the twelve months ended December 31, 2000.

Liquidity and Capital Resources

The Company had consolidated net cash of $2,604 at December 31, 2001 as compared to net cash of $65,532 as of December 31, 2000. The Company had a net working capital deficit (i.e. the difference between current assets and current liabilities) of $2,484,482 at December 31, 2001 as compared to a working capital deficit of $898,954 at December 31, 2000. Cash flow used for operating activities decreased from $82,540 during the twelve months ended December 31,

2000 to $42,357 during the twelve months ended December 31, 2001. Cash used for

investing activities increased from $123,077 during the twelve months ended December 31, 2000 to $341,933 during the twelve months ended December 31, 2001. Cash provided by financing activities increased from $0 during the twelve months ended December 31, 2000 to $236,648 during the twelve months ended December 31, 2001. Since December 31, 2000, the Company's capital needs have primarily been met from advances received from LNMG.

The Company will have additional capital requirements during 2002 if the Company continues with its plan of acquisition and incubation of new IPAs and projects, and to pay operating costs. There is no assurance that the Company will have sufficient capital to finance its growth and business operations or that such capital will be available on terms that are favorable to the Company or at all. The Company is currently incurring operating deficits which are expected to continue until LNMG increases its patient enrollment, which depends in part on the Company raising additional working capital for marketing and acquisitions. The change is expected to be the result of adjustment to expenses and by increased revenues due to acquisitions, provided that the Company raises additional capital.

The Company expects to have material capital requirements during 2002 as it relates to acquisitions of membership by LNMG, the IPA. Subject to the availability of capital, LNMG and the Company plan to acquire additional membership through the acquisition of IPAs and from individual physicians. The latter method is not the acquisition of physician's practices but rather the transfer of these physicians' membership from other IPAs to LNMG. The funds to make these acquisitions are expected to be generated from a private placement of common stock and warrants currently be made by the Company to raise approximately $1,000,000 of capital. The private placement commenced in late 2001 and involves the offer of 800,000 units at a price of $1.25 per unit. Each unit consists of one share of common stock and one warrant to purchase one share of common stock for a purchase price of $2.00 per share for a period of one year from the date of issuance, subject to extension until the shares underlying the warrants are registered with the Securities and Exchange Commission. The warrantholders have registration rights after issuance of the warrants. To date, no capital has been raised in the private placement and there is no assurance that the Company will raise additional capital.

On July 23, 2001, Cedars-Sinai Medical Center (CSMC) sold its LMC common stock to LMC in consideration for a note in the amount of $1.75 million plus simple interest at the rate of 6% per annum. The note is payable in three installments on or before July 23, 2002. The first installment was due in January 2002 and was not paid. As a result, CSMC has the right to convert the note into 28% of the outstanding common stock of the Company, or a pro rata share if the promissory note is partially repaid. The Company expects to negotiate an extension with CSMC on the promissory note.

LNMG was owned by Roberto Chiprut, M.D. who was a major shareholder and director of the Company and LMC until his recent death. Prior to his death, the Company and Dr. Chiprut had reached agreement and executed a contract for the Company to acquire his IPA and Company stock for $2.5 million contingent on the Company making certain milestone payments. The Company is in discussions with the heirs of Dr. Chiprut to make the purchase on essentially on the same terms as previously agreed upon with Dr. Chiprut, subject to the availability of capital. The Company currently does not have the funds to purchase Dr. Chiprut's stock and there is no assurance that the Company will be able to obtain sufficient capital to pay the purchase price for the stock.

ITEM 7. FINANCIAL STATEMENTS LATINOCARE MANAGEMENT CORPORATION

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CONSOLIDATED FINANCIAL STATEMENTS

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JNS MARKETING, INC.
(Renamed Latinocare Management Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

CONTENTS

Report of Independent Accountants

To the Board of Directors
JNS Marketing, Inc.
Long Beach, California

We have audited the accompanying consolidated balance sheets of JNS Marketing, Inc. and its subsidiary as of December 31, 2001 and the related consolidated statements of operations, shareholders' accumulated deficit and cash flows for each of the two years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Company';s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JNS Marketing, Inc. and subsidiary as of December 31, 2001 and the consolidated results of operations and its cash flows for each of the two years ended December 31, 2001 and 2000 in conformity with generally accepted accounting principles.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2, the Company have no earnings to date and has a significant accumulated deficit. These circumstances raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to this matter are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Oppenheim & Ostrick, CPA'S

Culver City, California
February 28, 2002

JNS MARKETING, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001

	December 31, 2001
Current assets:	
Cash and cash equivalents	$ 2,604
Accounts receivable	2,922
Prepaid expenses and other current assets	49,291
Total current assets	54,817
Property and equipment:	
Net of accumulated depreciation	218,600
Total property and equipment	218,600
Other assets:	
Deposit	15,478
Total other assets	15,478
	$ 288,895
LIABILITIES AND SHAREHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	$ 196,387
Accrued expenses	107,522
Accrued interest payable	46,034
Income tax payable	1,600
Due to related party	437,756
Note payable - related party	1,750,000
Total current liabilities	2,539,299
Shareholders' equity (deficit):	
Common stock, no par value; 50,000,000 shares authorized; 14,529,100 shares issued and outstanding	997,652
Accumulated deficit	(3,248,056)
Total shareholders' deficit	(2,250,404)
	$ 288,895

See accompanying notes and Independent Auditors' report which are integral parts of these consolidated financial statements.

JNS MARKETING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000

	Years Ended December 31, 2001	2000
Revenue:		
Management fees- related party	$ 2,222,496	$ 2,666,719
Management fees- others	102,386	216,126
	2,324,882	2,882,845
Costs and expenses:		
Salaries and benefits	1,788,910	1,384,227
Professional and consulting fees	278,883	321,184
General and administrative	727,687	998,745
Loss on assets abandoned	8,144	28,865
Depreciation	27,872	88,377
	2,831,496	2,821,398
Operating income (loss)	(506,614)	61,447
Other income (expense):		
Interest expense	(73,090)	(52,457)

Other income (loss) before income taxes	(579,704)	8,990
Provision for income taxes	800	800
Net income (loss)	$ (580,504)	$ 8,190
Earnings (Loss) per common share		
Basic	$ (0.04)	$ 0.00
Diluted	$ (0.04)	$ 0.00
Weighted average common shares outstanding		
Basic	14,529,100	14,529,100
Diluted	14,529,100	14,529,100

See accompanying notes and Independent Auditors' report which are integral parts of these consolidated financial statements.

JNS MARKETING, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR YEAR ENDED DECEMBER 31, 2001

<TABLE>
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	Common Stock		Additional	Retained Earnings	Total
	Shares	Amount	Paid-in	Accumulated Deficit	Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance At December 31, 2000	3,781,455	$ 952,727	$ 0	$ (960,942)	$ (8,215)
Retirement of common stock	(3,270,000)				
Reissuance of new common stocks to existing shareholders of the acquiring company	13,471,645				
Issuance of new shares of stock :					
Common stock issued as part of cost of acquiring JNS Marketing		260,000	26,000	(26,000)	0
Common stock issued for services rendered	100,000	10,000			10,000
Common stock issued to private investors prior to acquisition	186,000	8,925		(8,925)	0
Transfer of acquiring company's accumulated deficit	0	0	0	(1,671,685)	(1,671,685)
Consolidated net loss for period ended december 31, 2001	0	0	0	(580,504)	(580,504)
Balance At December					

31, 2001	14,529,100	$ 997,652	$ 0	$ (3,248,056)	$(2,250,404)

</TABLE>

See accompanying notes and Independent Auditors' report which are integral parts of these consolidated financial statements.

JNS MARKETING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000

<TABLE>
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	Years Ended December 31, 2001	2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) from operations	$ (580,504)	$ 8,190
Adjustment to reconcile net income (loss) from operations to cash provided (used) in operating activities:		
Depreciation	27,872	88,377
Loss on abandonment of assets	8,144	43,298
Stock issued for services rendered 10,000 (increase) decrease in:		
Due from related party	634,882	(168,237)
Accounts receivable	10,277	27,341
Prepayments to PPM	(46,896)	(10,000)
Deposits and other assets	10,039	(12,285)
Increase (decrease) in:		
Accounts payable	82,307	21,923
Accrued expense	39,871	28,627
Accrued interest	(154,435)	54,506
Income tax	800	800
Net cash provided (used) from operating activities	42,357	82,540
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of business	(300,000)	0
Purchase of equipment	(41,933)	(123,077)
Net cash used from investing activities	(341,933)	(123,077)

	------------------	-

CASH FLOWS FROM FINANCING ACTIVITIES:		
Conversion of debt into equity	227,723	
0		
Private placement offering	8,925	
0		
	------------------	-

Net cash provided from financing activities	236,648	
0		
	------------------	-

Net increase (decrease) in cash	(62,928)	
(40,537)		
Cash, beginning of the year	65,532	
106,069		
	------------------	-

Cash, end of the year	$ 2,604	
$65,532		
	==================	
==========		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 0	
$ 0		
	==================	
==========		
Cash paid during the period for income taxes	$ 0	
$ 0		
	==================	
==========		
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:		
Conversion of debt to equity	$ 1,040,183	
$ 0		
	==================	
==========		
Accrued interest on debt to equity conversion	$ 27,254	
$ 0		
	==================	
==========		
Conversion of equity to debt	$ 1,750,000	
$ 0		
	==================	
==========		
Accrued interest on the equity to debt conversion	$ 46,034	
$ 0		
	==================	
==========		

</TABLE>

See accompanying notes and Independent Auditors' report which are integral parts of these consolidated financial statements.

JNS MARKETING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(1) GENERAL BACKGROUND AND NATURE OF OPERATIONS:

A. GENERAL BACKGROUND :

JNS Marketing, Inc. (the "Company") was a reporting public shell company incorporated in the State of Colorado in July 1983 with no tangible assets, insignificant liabilities and no revenues as of October 31, 2001.

Latinocare Management Corporation dba Latino Health Care was founded and incorporated on February 23, 1995 as a California for-profit stock corporation. Its sole purpose, when originally organized, was to manage all operations of Latinocare Network Medical Group (IPA), a related party who have common shareholders who influence the activities of both entities.

Latinocare Management Corporation acquired JNS Marketing, Inc. in

November 2001 purchasing 3,270,000 or approximately 86% of the issued and outstanding common stock of JNS Marketing, Inc. in exchange for $300,000. There was a delay in the planned acquisition date due to renegotiation of the acquisition cost which resulted in the issuance of an additional 260,000 new shares of common stock of the Company as part of the purchase price. The 3,270,000 shares common stock were subsequently retired and cancelled. The members of the Board of Directors of the Company before the purchase were replaced with the members of Latinocare Management Corporation's Board of Directors. Pro-forma financial information was reported on Form 8K in February 2002.

The Company entered into an Agreement and Plan of Reorganization which will result in a share exchange between shareholders of Latinocare Management Corporation and the Company, whereby the Latinocare Management Corporation became a wholly owned subsidiary of the Company.

The Company has a total of 14,529,100 shares of its outstanding common stock issued. 511,455 shares or 4% of the issued and outstanding common stock are owned by the original shareholders of the acquired company, 13,471,645 shares or 93% of the outstanding common stock have been issued to two members of Latinocare Management Corporation's Board of Directors, and new shares issued totaling 546,000 shares or 4% of the outstanding common stock issued consists of (i) 260,000 shares of common stock issued to individuals as part of the Latinocare Management Corporation's renegotiated cost of acquiring the Company, (ii) 100,0000 shares of common stock issued for services rendered and (iii) 186,000 shares of common stock issued to unaffiliated private investors.

The Company is to be renamed as Latinocare Management Corporation and to reincorporate in the State of Nevada.

B. NATURE OF OPERATIONS:

The Company, a management service organization, is in the business of providing management and administrative services, and has developed a system of operations, management and marketing for independent practice associations engaged in providing health care services.

The Company has targeted and successfully reached four primary groups: health plans, hospitals, health service recipients and physicians with significant focus on the Latino market.

Latinocare Network Medical Group, Inc., an Independent Physician Association (IPA), was incorporated on September 30, 1994, as a licensed medical group able to accept physician services risk from third-party payors and self-insured employers. The IPA was organized for the purpose of meeting the comprehensive health care needs of the Latino population and the lack to access to quality health care services available to the Latino community. The IPA has a network of private practicing physicians who provide quality health care services that are accessible, friendly, affordable, and culturally sensitive. It offers a wide range of comprehensive health care programs and services to keep its members and families healthy and productive.

On November 1995, the Company has entered into a twenty-five (25) year Management Services Agreement with Latinocare Network Medical Group, Inc. to provide all management and administrative support, allowing the IPA to focus efforts on physician network development. These services include, among others; clerical and billing services, claims settlement and collection, accounting, financial and cash flow management, marketing and general administrative services (collectively, "Management Services"). The Company acts as the exclusive agent to the IPA with regards to seeking, negotiating, renewing, and executing managed care contracts.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company's cash and available credit are not sufficient to support operations for the next year. A net loss of $1,671,793 was incurred from inception on February 1995 until December 31, 2000. For the twelve months ended December 31, 2001, the Company had a net loss of $580,504. The Company also had negative working capital and stockholders deficit at December 31, 2001.

Management plan is to raise enough equity for the on-going twelve (12) months through private placements (see Note 12 - Subsequent Events) and individual investors; pay off the note issued to a related party; pay off a related party shareholder's equity interest; and to raise enough working capital to pay off liabilities and sustain operations. These consolidated financial statements have been prepared on the basis that adequate equity financing will be obtained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

A. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its subsidiary. Intercompany accounts and transactions have been eliminated in the consolidated financial statements.

B. USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. REVENUE RECOGNITION:

Revenues from professional services, primarily from management fees, are recognized on an accrual basis of accounting as services are performed or the amounts earned (in compliance with SOP 00-2), based on a percentage of capitation revenues received BY THE IPA, WHICH IS A RELATED PARTY TRANSACTION.

The IPA has managed care contracts with various Health Maintenance Organizations (HMO) to provide medical services to subscribing members. Under these agreements, the IPA receives monthly capitation payments based on the number of each HMO's subscribing members whether or not a member requests services to be performed by the IPA. The Company receives 16% of all IPA collections.

Revenues are also generated from risk pool settlements. Revenues from risk pool settlements (cash received) are surpluses distributed by the IPA from the HMO.

Currently, two separate types of risk pools exist - specialty risk pools and hospital (institutional) risk pools. Specialty risk pools are reserve for specialist medical expenses whereas hospital risk pools relate to reserves for hospital expenses. These reserves are held by the HMO and surpluses are distributed, after year-end accounting of all claims, to the related physicians at fifty percent (50%), IPA at twenty-five percent (25%) and MSO (the Company) at twenty-five percent (25%).

D. CASH AND CASH EQUIVALENTS:

The Company considers all money market funds and highly liquid debt instruments with maturities of three months or less when acquired to be cash equivalents.

E. ACCOUNTS RECEIVABLE:

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

F. PREPAID PRIVATE PLACEMENT COSTS:

Specific incremental costs directly attributable to proposed or actual offering of securities are deferred and charged against the gross proceeds of the offering. Management salaries and other general and administrative expenses are not allocated as costs of the offering. In the event that the offering does not take place, the prepaid private placement costs will be expensed immediately.

G. PROPERTY, EQUIPMENT AND RELATED DEPRECIATION:

Property and equipment are stated at cost. Maintenance, repairs and minor renewals and betterment's are expensed; major improvements are capitalized.

Depreciation of property and equipment is provided for using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Lives

Leasehold improvements	Life of lease
Computer, equipment and office furniture	5 - 10 Years

Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

H. ADVERTISING EXPENSES:

All advertising expenses are expensed as incurred.

I. INCOME TAXES:

The Company is taxed at C Corporation income tax rates. The Company recognizes deferred income tax under the asset and liability method of accounting. This method requires the recognition of deferred income taxes based upon the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statements carrying amounts and the tax basis of existing assets and liabilities.

J. ADOPTION OF RECENT ACCOUNTING STANDARDS:

Segment Reporting:

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 131 ("SFAS" No. 131"), "Disclosure About Segments of an Enterprise and Related Information." SFAS No. 131 established standards for the way companies report information about operating segments in annual financial statement. It also established standards for related disclosures about products and services, geographic areas and major customers.

The disclosures prescribed in SFAS No. 131 became effective for the year ended December 31, 1998. The Company has determined that it operates as one business segment.

The Company is not affected by the adoption of new accounting standards for Accounting for Derivative Instruments and Hedging Activities as well as the Accounting for Comprehensive Income as these activities did not occur in its operations.

BUSINESS COMBINATION:

SFAS 142 and SFAS 141, Business Combinations, are designed to improve reporting and disclosure with respect to goodwill and other acquired tangible assets. SFAS 141 eliminated the pooling of interest method as an accounting option for business combination while SFAS 142 modified the purchase method of accounting by eliminating the amortization of goodwill and substituting an impairment test. The FASB overcame several operation impediments to non-amortization including: the reporting level at which to conduct impairment reviews, consistency with SFAS 121 (accounting for the impairment of long-lived assets) and finite-lived goodwill. The emphasis will be on the fair value measurements of assets and liabilities instead of amortization. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

(3) PRIVATE PLACEMENT OFFERING AND PREPAID EXPENSES

Prepaid expenses and other current assets consists of :

Prepaid private placement costs	$ 46,896
Other current assets	2,395
	$ 49,291

The Private Placement Memorandum issued on March 1, 2001 in connection with the Company's offer of sale of its common stock ended in October 29, 2001 with a total gross receipts of $231,700. The price per share for this offering was $2.50 per share. Costs directly attributable to this offering of securities were charged against the gross proceeds. The net proceeds of $8,925 is recorded

as additional paid-in capital in the acquiring company's books and were eliminated as a result of the acquisition.

On November 30, 2001, a new Private Placement Memorandum was issued for qualified investors in connection with the Company's offer of sale of its common stock.

The above prepaid private placement costs consists of printing, mailing and consulting fees that have been incurred as of December 31, 2001. These costs directly attributable to the offering of securities are deferred and will be charged against the gross proceeds of the offering of securities when the offering ends or is terminated.

(4) PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31, 2001
Furniture, fixtures and office equipment	$ 83,785
Leasehold improvement	77,157
COMPUTERS AND SOFTWARE	204,058
	365,000
LESS ACCUMULATED DEPRECIATION	146,400
	$ 218,600

Depreciation expense for the years ended December 31, 2001 and 2000 was:

	December 31, 2001	2000
Depreciation	$27,872	$88,377

The Company periodically evaluates the net realizable value of long-lived assets, including property and equipment, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows.

(5) NOTES PAYABLE - RELATED PARTY:

Notes payable are all current and comprised of the following amounts as of:

	December31, 2001
Cedars Sinai, shareholder, due on demand with interest at	
5.25% to 8% due annually	$ 0
Cedars Sinai, shareholder, due on demand with interest at	
5.81% due annually	0
Cedars Sinai, shareholder, due on demand with interest at 8% due annually	0
Cedars Sinai, shareholder, due on demand with interest at 5.25% due annually	0
Cedars Sinai, due July 23, 2002 with interest at 6.0% per annum	1,750,000
Total	$1,750,000

On June 12, 2001, Cedars Sinai (the Payee) exercised its option to convert all of the indebtedness evidenced by the above notes, including accrued interest, into shares of the Company's Common Stock which when combined with the number of shares of Common Stock issued to Payee equals twenty-eight (28%) of the issued and outstanding shares of the Common Stock, on a fully-diluted, convertible basis. Accrued interests from the above notes were recorded as additional paid-in capital upon conversion.

On July 23, 2001, the total shares issued to Cedar Sinai amounting to $1,750,000 of common stock was redeemed by the Company by issuing a convertible note to Cedars Sinai for $1,750,000 bearing simple interest at the rate of 6% per annum (see Related Party Transactions - Note 10 for the retirement of the common stock).

The notes for Cedars Sinai, due on July 23, 2002, matures as follows:

$500,000 shall be paid on or before 120 days on or before the date of the note;
$500,000 shall be paid on or before 240 days on or before the date of the note; and
$750,000 and all accrued but unpaid interest shall be paid on or before the expiration of 360 days from the date of the note.

This note shall be secured and that in the event of a breach by the Company, Cedars-Sinai's sole recourse shall be the repossession of that portion, if any, of its shareholdings (28% of the outstanding shares) from the Company pursuant to the following provision:

a. For the first seven hundred fifty thousand dollars ($750,000) repaid by the Company, recourse shareholdings shall be reduced from twenty-eight percent (28%) of the issued and outstanding shares to not less than twenty percent (20%) of such issued and outstanding shares, or the portion thereof;

b. For the next one million dollars repaid ($1,000,000) by the Company, recourse shareholdings shall be reduced from twenty percent (20%) of the issued and outstanding shares to zero percent (0%) of such issued and outstanding shares, or the portion thereof.

If this note is not paid when due, the Company shall pay all costs of collections, including attorney's fees and costs and all expenses incurred on account of collection, whether or not suit is filed.

As of December 31, 2001, no payments have been made by the Company. The Company plans to amend the terms of the above agreement with Cedar Sinai.

(6) PROVISION FOR INCOME TAXES:

The provision for taxes consists of the following for the period:

	Federal	State	Total
Current	$ 0	$800	$800
Deferred	0	0	0
	$ 0	$800	$800

At year end December 31, 2001 and 2000, other than the minimum tax due to the State of California, no income tax accruals were recorded because the Company incurred a loss for the current year and has available net operating

loss (NOL) carry forwards of approximately $2,212,504 and $1,632,000, respectively, available to offset future taxable income. These NOL carry forwards expire beginning in 2010 and ending in 2014, fifteen years from the year in which the losses were incurred.

Deferred tax assets and liabilities were not presented because the amounts were insignificant.

(7) ADVERTISING:

Advertising expense consists of the following:

	Years ended December 31,	
	2001	2000
Total	$1,958	$25,773

(8) EMPLOYEE SAVINGS PLAN:

On August 1, 2000, the Company adopted a 401(K) Profit Sharing Plan and Trust for the benefit of its employees and beneficiaries.

Eligible employees may contribute a portion of their pretax annual compensation within specified limits. A discretionary matching contribution will be provided by the employer which may or may not be limited to its current accumulated net profit.

There are no employer contributions to the plan for the years ended December 31, 2001 and 2000.

(9) COMMITMENTS:

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The Company has entered into various operating leases for equipment and occupies its facility under a long-term lease agreement expiring in March 31, 2010 with option to cancel after five (5) years or extend. Future minimum lease payments under the non-cancelable leases for the remaining years are as follows:

<S> <C> <C> <C> <C>

Period Ending December 31,	Office Space	Equipment	Total
2000	111,163	42,840	154,003
2001	157,632	38,282	195,914
2002	157,632	38,856	196,488
2003	157,632	38,856	196,488
Thereafter	157,632	93,774	251,406
Total	$741,691	$252,608	$994,299

</TABLE>

Total lease and rent expense consist of the following:

	Years ended December 31,	
	2001	2000
Equipment lease	$ 62,134	$ 48,145
Office rent	218,827	120,028
	$280,961	$168,173

(10) RELATED PARTY TRANSACTIONS :

a. Latinocare Network Medical Group, Inc.:

The CEO/President of Latinocare Network Medical Group, Inc. (IPA) is a member of the board of directors and a major stockholder for both the IPA and the Company until his recent death in February 2002. In light of this shareholder's death, the Company has the contractual right to acquire his shares of stock from the IPA and the Company for $2.5 million contingent on the Company making some milestone payments. The Company is in discussions with the heirs of the shareholder to make the purchase essentially on the same terms as previously agreed with the shareholder before his death.

The Company and the IPA, are bound by a twenty-five year management services agreement. Under this agreement, the IPA has effectively transferred total contract and management control to the Company for the term of the agreement. In return for management and administrative services provided under the management service agreement, the Company receives management fees of sixteen percent (16%) of monthly capitation payments (based on predetermined rates) received by the IPA.

The Company has been charging the IPA a management fee according to sliding scale based on enrollment. The management fee percentage was charged against the total capitation the IPA receives from members. The following matrix reflects this management fee arrangement:

RATE	ENROLLMENT
16%	0 - 20,000
15%	20,000 - 30,000
14%	30,000 - 40,000
12%	40,000 - 50,000

In addition to management fees the Company is also entitled to receive fifty percent (50%) of the IPA's share of hospital (with hospital or HMO) and specialty risk pool settlements. Hospital and risk pools are revenues estimated for hospital and specialist medical expenses held in reserve until actual claims are adjudicated. Surpluses are distributed accordingly after all financial obligations are met.

The Company also renders services on business development and marketing of products and services of the IPA.

The management fees, settlement fees, marketing and business development from the IPA, paid and due to the Company were approximately:

	Years ended December 31, 2001	2000
Management fee	$1,576,295	$1,961,978
Settlement fee	182,904	334,976
Marketing & BUSINESS DEVELOPMENT	463,297	369,765
Total	$2,222,496	$2,666,719

The IPA accounts for more than ninety percent (90%) of the Company's revenue. IPA has a concentration of customers of approximately eight (8) customers which are health maintenance organizations.

Related party receivables and advances payable for the year ended:

	December 31, 2001
Receivable from related party	$ 356,776
Payable to related party	(794,532)
Due (to)/from - Related Party	$(437,756)

The above outstanding net payable to the IPA of approximately $437,756 was used as working capital.

B. GONZALES-D'AVILA ENTERPRISE DBA JJ&M MANAGEMENT:

The JJ&M's CEO/President is employed as a consultant/independent contractor of the Company up to July 2001 and is a stockholder and a member of the board of directors for JJ&M, the IPA and the Company.

Consultant fees and reimbursement of expenses paid to the CEO/President are:

	Years ended December 31, 2001	2000
Management fees	$78,000	$123,500

C. CEDARS SINAI MEDICAL CENTER :

Cedars Sinai Medical Center, the Company's strategic partner, has been the largest single investor to the Company providing over $2 million including the accrued interest of approximately $290,000 that was converted to equity in June 2001. Cedar Sinai's financial support consisted of a convertible note payable of $1,000,000, issued November 30, 1996, and was converted into a twenty percent (20%) of the Company's common stock in 1997. The $750,000 and $62,460 of notes payable issued in 1996 and 1997 were converted into an additional eight percent (8%) equity interest, including accrued interest, on June 12, 2001.

The Company has existing promissory notes to Cedars Sinai payable on demand with the balance (including interest) as of December 31, 2000 of $812,460. These notes were converted to eight percent (8%) of the outstanding common stock of Company in June 2001.

On July 23, 2001, the Company issued a convertible note to Cedars Sinai in the amount of $1,750,000 bearing simple interest at the rate of 6% per annum payable in full on or before July 23, 2002, to redeem all shares issued to Cedars-Sinai. If the note is not repaid by that time, Cedar Sinai has the right to convert it into 28% of the outstanding common stock of the Company, subject to a pro-rata adjustment if the note is partially repaid (see Note 5 Notes Payable - Related Party). A full or partial conversion of the note would cause dilution in the ownership of the Company by its existing shareholders.

Accordingly, capital stock is reduced for the redeemed value of the stock. For accounting purposes, the stock redemption is treated as a retirement of stock since California no longer allows for treasury stock reporting.

Client made no repayment for the above loan as of December 31, 2001. The Company plans to amend the terms of the agreement subsequent to this balance sheet date.

(11) SIGNIFICANT MANAGEMENT INVESTMENT:

The current management and directors as a group beneficially owns approximately ninety three percent (93%) of the total shares issued and outstanding. By virtue of such stock ownership, the current management and directors as a group generally exercise control over the affairs of the Company.

(12) SUBSEQUENT EVENTS:

A. MANAGEMENT AGREEMENT WITH IPA:

The Company has recently changed the management agreement from a sliding scale agreement to a "cost plus" agreement. In the cost-plus model, the Company will charge the IPA, and all future acquired IPAs or IPAs managed by the Company, the entire cost of managing the business plus a fixed amount as profit margin. The cost component will vary among IPAs depending on negotiated terms of management.

B. STOCK OPTION PLAN:

Effective as of January 31, 2002, the Board of Directors of the Company unanimously adopted the 2002 Stock Option Plan subject to shareholder ratification within twelve months of the adoption of the plan. The Company has not issued any stock options under the plan.

C. PRIVATE PLACEMENT OFFERING:

The Private Placement Memorandum issued on March 1, 2001 in connection with the Company's offer of sale of its common stock ended in October 29,2001 (see Note 3 - Private Placement Offering). The price per share for this offering was $ 2.50 per share. Total new shares issued for this offering is 186,000 shares of the issued and outstanding common stock.

On November 30, 2001, a new Private Placement Memorandum was issued for qualified investors in connection with the Company's offer of sale of its common stock. This offering will terminate on May 31, 2002, unless the Company extends the offering period up to an additional 180 days. The Company is offering 800,000 Units for a purchase price of $1.25 per Unit (maximum gross proceeds of $1,000,000). Each Unit includes one share of the Company's common stock and one Warrant to purchase on share of the Company's common stock for a purchase price of $2.00 per share at any time until one year after the date that they are issued. The Company has the option to increase a total amount of the offering by up to an additional $150,000 (120,000 shares). There is no minimum amount of the offering and the maximum offering is $1,150,000 (if the Company exercises its option to increase the maximum amount of the offering). The purchase price for the shares will be payable in full in cash upon subscriptions.

The net proceeds from the offering are expected to be approximately

$900,000 after the payment of offering costs including printing, mailing, legal, and accounting costs, and potential selling commissions and finder's or referral fees that may be incurred. The net proceeds from this offering are estimated to be utilized to pay marketing and promotion costs to obtain new enrollees; to finance acquisitions of IPAs; and for working capital purposes.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In February 2002, the Company engaged Oppenheim & Ostrick to prepare the Company's financial statements for transition of the Company's fiscal year end to December 31 and for the fiscal year ending December 31, 2001. The Company has terminated its engagement with Michael B. Johnson & Company. The Company had no disagreements with Michael B. Johnson & Company on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Oppenheim & Ostrick has audited LMC's financial statements since 1999.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF EXCHANGE ACT

The following table lists the executive officers and directors of the Company as of March 31, 2002:

Name	Position
Jose J. Gonzalez	President, Chief Executive Officer, Secretary, and Chairman of the Board of Directors
Joseph C. Luevanos	Chief Financial Officer, Chief Operating Officer and Director
Juan J. Orellana	Vice President - Business Development

JOSE J. GONZALEZ, age 55, has been the Chairman of the Board of Directors, President, Chief Executive Officer, and Secretary of the Company since October 2001. He has been the President and Chief Executive Officer of Latinocare Management Corporation ("LMC"), a wholly owned subsidiary of the Company, since its inception in February 1995. Mr. Gonzalez's connections to the community and marketing and business experience have played an important role in the development of LMC's customer base. Mr. Gonzalez has more than 30 years of experience in the health care industry, including hospital administration, group and Independent Physician's Association development, managing community clinics in Los Angeles and Orange County, and managed care contracting. From December 1984 to July 1987, he was President and Chief Executive Officer of Universal Medi-Co., which contracted with group practices to provide management and support services. In November 1983, he started the White Memorial Medical Group, a hospital based group practice. Mr. Gonzalez is currently a member of the Public Policy Committee for the California Association of Physicians Organizations, as well as a member of the Advisory Board of the California Department of Managed Health Care, an appointment he received from Governor Gray Davis. Mr. Gonzalez received a Bachelor of Arts Degree in Language and Communications from California State University, Long Beach in 1970 and a Masters Degree in Public Administration, Health Care Management from Pepperdine University in 1973.

JOSEPH C. LUEVANOS, age 54, has been the Chief Financial Officer and Chief Operating Officer of the Company since October 2001 and a director of the Company since November 2001. Mr. Luevanos has been the Chief Financial Officer, Chief Operating Officer, and a director of LMC since August 2001. From August 2000 to July 2001, Mr. Luevanos worked as an independent consultant. From August 1997 to July 2000, Mr. Luevanos was the Executive Vice President for Finance and Chief Financial Officer of Bentley Health Care, Inc. At Bentley Health Care,

Inc. he provided executive oversight in the development and implementation of accounting and information systems, financial models for reviewing and evaluating external proposals, and strategic business plans. He also participated in contract negotiations with major medical centers to develop state of art cancer centers and with major investment banks to obtain funding for the company. From December 1976 to August 1997, Mr. Luevanos worked for Cedars-Sinai Medical Center ("CSMC"). From March 1982 to August 1997, he was the Chief Financial Officer and Senior Vice President of CSMC, responsible for the overall operations of the general accounting, third party reimbursement, contracting, risk management, cash management, and investment portfolio departments. He was also an Ex Officio Member of the Board of Directors and Assistant Treasurer of CSMC Corporation, served as Chairman of the Board of

Directors of the Medical Center for-profit subsidiary of CSMC, and had executive oversight of CSMC's investment portfolio with assets in excess of $250 million. From January 1980 to February 1992, Mr. Luevanos was the Director of Finance of CSMC, responsible for organizing and managing the process for several bond financing transactions and the process for the preparation of the Medical Center annual budget and the automated systems to track actual results in comparison to the budget. From December 1976 to December 1979, Mr. Luevanos was the Controller for CSCM, responsible for developing, organizing, and managing the financial process for negotiation of construction financing through the State of California loan program. Mr. Luevanos has been a member of the Board of Directors of Proyecto Pastoral in Los Angeles, California since 1998 and a member of the Board of Directors of Latino Care in Los Angeles, California since 1996. He was a member of the Board of Directors of Public Counsel in Los Angeles, California from 1992 to 1997 and a member of the Loan Committee of the Officer of Statewide Health Planning and Development for the State of California from 1979 to 1984. Mr. Luevanos received a Bachelor in Business Administration from Loyola University in Los Angeles, California in 1969. He became a Certified Public Accountant in the State of California in 1973.

JUAN J. ORELLANA, age 29, has been the Vice President of Business Development of the Company since January 2, 2002. Prior to joining the firm, he conducted market development activities for Lucent Technologies' optical networking group focusing on the Caribbean and Latin American markets. Mr. Orellana also served in several marketing and international finance roles at AT&T and AT&T Wireless Services. He holds a Bachelor in Business Administration from the University of California at Berkeley and an MBA from the Kellogg School of Management.

ITEM 10. EXECUTIVE COMPENSATION

DIRECTOR COMPENSATION

Directors receive no cash compensation for their services to the Company as directors, but are reimbursed for expenses actually incurred in connection with attending meetings of the Board of Directors.

EXECUTIVE OFFICER COMPENSATION

The annual compensation for the executive officers of the Company has not yet been determined, but is expected to be established by a resolution of the Company's Board of Directors in the near future. The following table and notes set forth the annual cash compensation paid to Jose Gonzalez, the President, Chief Executive Officer, and Secretary of the Company, by LMC during its fiscal years ended December 31, 2001, 2000, 1999, and 1998, respectively, and the annual cash compensation paid to Joseph Luevanos, the Chief Financial Officer and Chief Operating Officer of the Company, by LMC during its fiscal year ended December 31, 2001. The following table sets forth cash compensation paid for services rendered to the Company by the Company's executive officers during its last fiscal year ended December 31, 2001. No other executive officer received compensation in excess of $100,000 in any such year.

<TABLE>
<CAPTION>
SUMMARY COMPENSATION TABLE

						Long-term Compensation Awards		
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Comp	Restricted Stock Awards	Securities Underlying Options	Ltip Payouts	All Other Compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Jose J. Gonzalez..... President, Chief Executive Officer, and Secretary	2001	$66,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	$78,000(1)
	2000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	$144,000(1)
	1999	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	$144,000(1)

	1998	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 - $151,000(1)
Joseph Luevanos..... Chief Financial Officer and Chief Operating Officer	2001	$168,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 - - 0 -

(1) Prior to July 2001, Mr. Jose J. Gonzalez received consulting fees from the Company.
</TABLE>

EMPLOYMENT AGREEMENTS

The Company has not entered into any employment agreements with its executive officers to date. The Company may enter into employment agreements with them in the future.

STOCK OPTION PLAN

On January 31, 2002, the Board of Directors of the Company adopted the 2002 Stock Option Plan for Directors, Executive Officers, Employees and Key Consultants of the Company (the "2002 Plan"). The 2002 Plan was ratified by the shareholders of the Company at the Company's annual meeting of the shareholders held on February 28, 2002. The 2002 Plan authorizes the grant of up to 1,500,000 options to purchase up to 1,500,000 shares of common stock. To date, no stock options have been granted under the 2002 Plan.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the names and addresses of the executive officers and directors of the Company and all persons known by the Company to beneficially own 5% of more of the issued and outstanding common stock of the Company.

Title of Class	Name & Address of shareholder	Number of Shares Beneficially Owned(5)	Percentage of Outstanding Shares Beneficially Owned
Common Stock	Jose J. Gonzalez (1)	6,904,218	47.5%
Common Stock	The Estate of Dr. Roberto Chiprut (2)	6,567,427	45.2%

- ----------

(1) Mr. Jose J. Gonzalez is the Chairman of the Board, Chief Executive Officer, President, and Secretary of the Company.

(2) Dr. Roberto Chiprut is a former director of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On July 23, 2001, Cedars-Sinai Medical Center sold its LMC common stock to LMC in consideration for a note in the amount of $1,750,000 plus simple interest at the rate of 6% per annum, payable $500,000 on or before 120 days from the date of the note, $500,000 on or before 240 days from the date of the note, and $750,000 plus accrued interest on or before 360 days from the date of the note. The Company has not made the first payment due on the note. Consequently, Cedars-Sinai Medical Center has the right to convert the note into 28% of the outstanding common stock of the Company, or a pro rata share if the promissory note is partially repaid. The Company plans to commence negotiations with Cedars-Sinai Medical Center to amend note.

Pursuant to a management services agreement between LMC and LNMG, dated November 30, 1995, LMC is LNMG's exclusive MSO until the expiration of the management agreement on November 30, 2020. See "Item 1. BUSINESS - General." Until his death in February 2002, the President and Chief Executive Officer of LNMG, Dr. Roberto Chiprut, was a member of the Board of Directors and a major stockholder of both LNMG and the Company. In November 2000, Dr. Chiprut and the Company reached an agreement pursuant to which the Company agreed to repurchase Dr. Roberto Chiprut's shares of the Company's common stock in exchange for a payment of $1,000,000 and subsequent payments over a three-year period for a

total of $2,500,000 plus 6% interest on the unpaid balance. This agreement is contingent upon receipt of future equity financing by the Company, which financing is anticipated to occur after December 31, 2001.

Jose J. Gonzalez, the owner, President and Chief Executive Officer of Gonzalez-D'Avila Enterprise dba JJ&M Management, was a consultant to the Company until July 2001. Mr. Gonzalez is now a major stockholder and a member of the

Board of Directors of LNMG and the Company. Mr. Gonzalez is also the Chief Executive Officer, President, and Secretary of the Company. During fiscal year ended December 31, 2001, Mr. Gonzalez received $78,000 in consulting fees from the Company in addition to his salary, resulting in total compensation of $144,000.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation
3.2	Bylaws
4.1	Specimen Certificate for Common Stock
4.2	Non-Qualified Employee Stock Option Plan (1)
10.1	Agreement and Plan of Merger between JNS Marketing, Inc., a Colorado Corporation, and Latinocare Management Corporation, a Nevada Corporation, for the reincorporation and name change (1)
10.2	Agreement and Plan of Reorganization between JNS Marketing, Inc. a Colorado Corporation, and Latinocare Management Corporation, a California Corporation, for the business combination (2)
10.3	Management Agreement between Latinocare Management Corporation, a Colorado Corporation, and Latinocare Network Medical Group, an Independent Physician Association
10.4	Promissory Note Payable to Cedars-Sinai Medical Center, dated July 23, 2001.

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(1) Incorporated by reference from the exhibits included in the Company's Proxy Statement filed with the Securities and Exchange Commission for the Annual Meeting of the Shareholders of the Company held on February 28, 2002.

(2) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8-K filed with the Securities and Exchange Commission, dated November 1, 2001.

(b) The following is a list of Current Reports on Form 8-K filed by the Company during and subsequent to the last quarter of the fiscal year ended December 31, 2001.

Report on Form 8-K dated October 10, 2001, relating to the extension of the Closing Date of the Share Purchase Agreement between Walter Galdnezi, JNS Marketing, Inc., and Latinocare Management, Inc. to October 30, 2001

Report on Form 8-K dated November 1, 2001, relating to the business combination between JNS Marketing, Inc. and Latinocare Management Corporation, a California corporation.

Report on Form 8-K dated December 14, 2001, relating to the pro forma financial statements for the business combination between JNS Marketing, Inc. and Latinocare Management Corporation, a California corporation.

Report on Form 8-K/A dated February 1, 2002, relating to the financial statements of Latinocare Management Corporation, a California corporation, for the business combination between JNS Marketing, Inc. and Latinocare Management Corporation, a California corporation.

Report on Form 8-K dated February 11, 2002, relating to changes in the Company's certifying accountant.

Report on Form 8-K dated March 12, 2002, relating to the death of Dr. Roberto Chiprut, a director of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 31, 2002 LATINOCARE MANAGEMENT CORPORATION

BY: \s\ Jose J. Gonzalez

Jose J. Gonzalez, Chairman of the Board,
Chief Executive Officer, and President

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

BY: \s\ Jose J. Gonzalez

Jose J. Gonzalez, Chairman, President, Chief Executive Officer, and Secretary	March 31, 2002

BY: \s\ Joseph Luevanos

Joseph Luevanos, Director, Chief Financial Officer, and Chief Operating Officer	March 31, 2002

EXHIBIT 3.1

EXHIBIT 3.2

EXHIBIT 10.3

EXHIBIT 10.4

ARTICLES OF INCORPORATION

OF

LATINOCARE MANAGEMENT CORPORATION

I

The name of this corporation is LATINOCARE MANAGEMENT CORPORATION.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be duly organized under the General Corporation Law of Nevada.

III

The name and address in the State of Nevada of this corporation's initial agent for service of process is:

Paracorp Incorporated
318 N. Carson Street, Suite 218
Carson City, Nevada 89701

IV

The corporation is authorized to issue two classes of shares. One class of shares shall be designated as common stock, par value $.001, and the total number of common shares which this corporation is authorized to issue is 50,000,000. The other class of shares shall be designated as preferred stock, par value $.001, and the total number of preferred shares which this corporation is authorized to issue is 2,000,000. The holders of the preferred stock shall have such rights, preferences and privileges as may be determined by the corporation's Board of Directors prior to the issuance of such shares. The preferred stock may be issued in such series as are designated by this corporation's Board of Directors, and the Board of Directors may fix the number of authorized shares of preferred stock for each series, and the rights, preferences and privileges of each series of preferred stock.

V

The governing board of the corporation is Three directors. The number of directors may be changed by the board. The directors' names and addresses are as follows:

Jose J. Gonzalez
4150 Long Beach Boulevard
Long Beach, California 90807

Joseph C. Luevanos
4150 Long Beach Boulevard
Long Beach, California 90807

Dr. Roberto Chiprut
4150 Long Beach Boulevard
Long Beach, California 90807

VI

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under Nevada Law.

VII

The corporation is authorized to indemnify the directors and officers of the corporation to the fullest extent permissible under Nevada Law.

VIII

The name and address of the incorporator is as follows:

Jose J. Gonzalez
4150 Long Beach Boulevard
Long Beach, California 90807

Dated: January 2, 2002

Jose J. Gonzalez

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

Jose J. Gonzalez

CERTIFICATE OF ACCEPTANCE OF APPOINTMENT OF RESIDENT AGRENT:

I, Paracorp Incorporated, hereby accept appointment as Resident Agent for the above named corporation.

Dated: January __, 2002

(Signature of Resident Agent)

LATINOCARE MANAGEMENT CORPORATION

BYLAWS

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Carson City, State of Nevada.

Section 2. The corporation may also have offices at such other places both within and without the State of Nevada as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in the County of Long Beach, State of California, at such place as may be fixed from time to time by the board of directors or at such other places either within or without the state of Nevada as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

Section 2. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman of the board or the president and shall be called by the chairman of the board or the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

Section 11. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

Section 1. The number of directors of the corporation shall be not less than three (3) nor more than five (5) directors. Initially the exact number of directors will be three (3). The exact number of directors and the range of the size of the Board of Directors will be determined from time to time by resolution adopted by a majority of the entire board. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article III, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders. Any director may resign at any time upon written notice to the corporation.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and each of the directors so chosen shall hold office until the next annual election and until his successor is duly elected and qualified or until his earlier resignation or removal. No decrease in the board shall shorten the term of any incumbent director. If, at the time of filling any

vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. The business of the corporation shall be managed by or under the direction of its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Nevada.

Section 5. The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the chairman of the board or the president, and the chairman of the board or the president or the secretary shall call a special meeting upon the written request of two directors unless the board consists of only one director; in which case special meetings shall be called by the chairman of the board or the president or secretary on the written request of the sole director. If given personally, by telephone or by facsimile, the notice shall be given at least 48 hours prior to the meeting. Notice may be given by mail if it is mailed at least three days before the meeting.

Section 8. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

Section 11. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the by-laws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 12. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

COMPENSATION OF DIRECTORS

Section 13. Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors and/or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

Section 14. Unless otherwise restricted by the certificate of incorporation or by-laws, any director or the entire board of directors may be removed, with or without cause, at any time by the holders of a majority of shares then entitled to vote at an election of directors, and the vacancy in the board of directors caused by such removal may be filled by the stockholders at the time of such removal.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall be chosen by the board of directors as soon as practicable after each annual meeting of stockholders and shall be a chief executive officer, president, a secretary and a chief financial officer. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

Section 2. The board of directors may appoint such other officers and agents as it shall deem necessary, including a chairman of the board, a vice chairman of the board, one or more vice presidents and one or more assistant secretaries and assistants to the chief financial officer, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 3. The salaries of all officers and agents of the corporation shall be fixed by the board of directors.

Section 4. The officers of the corporation shall hold office at the pleasure of the board of directors. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the board of directors.

THE CHAIRMAN OF THE BOARD

Section 5. The chairman of the board shall be a member of the board and shall preside at its meetings and at all meetings of stockholders. The chairman of the board shall exercise such other powers and perform such other duties as may from time to time be assigned to him by the board or prescribed by the by-laws.

THE CHIEF EXECUTIVE OFFICER

Section 6. The chief executive officer shall, subject to the direction and under the supervision of the board, be the principal executive officer of the corporation and shall have general charge of the business and affairs of the corporation and shall keep the board fully advised. At the direction of the board, he shall have power in the name of the corporation and on its behalf to execute any instruments in writing. He shall employ and discharge employees and agents of the corporation, except such as shall hold their offices by appointment of the board, but he may delegate these powers to other officers as to employees under their immediate supervision. He shall have such powers and perform such duties as generally pertain to the office of chief executive officer, as well as such further powers and duties as may be prescribed by the board.

THE PRESIDENT

Section 7. The president shall, subject to the direction and under the chief executive officer, have general charge of the business and affairs of the corporation and shall keep the chief executive officer fully advised. At the direction of the board, he shall have power in the name of the corporation and on its behalf to execute any instruments in writing. He shall employ and discharge employees and agents of the corporation, except such as shall hold their offices by appointment of the board, but he may delegate these powers to other officers as to employees under their immediate supervision. He shall have such powers and perform such duties as generally pertain to the office of president, as well as such further powers and duties as may be prescribed by the board.

THE VICE-PRESIDENTS

Section 8. In the absence of the chief executive officer and the president or in the event of their inability or refusal to act, the vice-president (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the chief executive officer and president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chief executive officer and president. The vice-presidents shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

Section 9. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, chief executive officer or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 10. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE CHIEF FINANCIAL OFFICER AND ASSISTANTS TO THE CHIEF FINANCIAL OFFICER

Section 11. The chief financial officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 12. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer, president and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as chief financial officer and of the financial condition of the corporation.

Section 13. If required by the board of directors, he shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 14. The assistant to the chief financial officer, or if there be more than one, the assistants to the chief financial officer in the order determined by the board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the chief financial officer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI

CERTIFICATE OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the chief executive officer, president or a vice-president and the chief financial officer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Section 2. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting (if not prescribed by statute or by the certificate of incorporation), or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

ARTICLE VII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

EXECUTION OF DOCUMENTS

Section 3. Unless otherwise authorized by the board of directors, all contracts, leases, deeds, deeds of trust, mortgages, powers of attorney to transfer stock and for other purposes, and all other documents requiring the seal of the corporation shall be executed for and on behalf of the corporation by the chief executive officer, president or any vice president, and the corporate seal shall be affixed and attested by the secretary or an assistant secretary, or the chief financial officer or an assistant to the chief financial officer.

ANNUAL STATEMENT

Section 4. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 5. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 6. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 7. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words “Corporate Seal, Nevada.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

Section 8. (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent permitted by the Nevada General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith. Such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in subparagraph (b) hereof, the corporation shall indemnify any such indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the board of directors of the corporation. The right to indemnification conferred in this Section 8 shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition (an "expense advancement"); provided, however, that, if the Nevada General Corporation Law so requires, the payment of such expenses incurred by an indemnitee in his or her capacity as a director or officer of the corporation (and not in any other capacity in which service was or is rendered by such indemnitee while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made upon delivery to the corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified under this Section 8 or otherwise; and provided, further, that no expense advancement shall be paid by the corporation if independent legal counsel shall advise the board of directors in a written opinion that based upon the facts known to such counsel at the time, (i) the indemnitee acted in bad faith or deliberately breached his or her duty to the corporation or its stockholders, and (ii) as a result of such conduct by the indemnitee, it is more likely than not that it will ultimately be determined that such indemnitee has not met the standards of conduct which make it permissible under the Nevada General Corporation Law for the corporation to indemnify such indemnitee. The corporation may, by action of its board of directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(b) If a claim under subparagraph (a) of this Section 8 is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the corporation to recover an expense advancement, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. It shall be a defense to any such action that the indemnitee has not met the standards of conduct which make it permissible under the Nevada General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the indemnitee is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Nevada General Corporation Law, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the indemnitee has not met the applicable standard of conduct; provided, however, that a determination by the board of directors denying an expense advancement based upon the written opinion of independent legal counsel as provided for in subparagraph (a) above shall be a complete defense to any action seeking an expense advancement, but such determination shall not be a defense or create a presumption that the indemnitee is not entitled to be indemnified hereunder upon the final disposition of the proceeding.

(c) The right to indemnification and the payment of expense incurred in defending a proceeding in advance of its final disposition conferred in this Section 8 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

(d) The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss under the Nevada General Corporation Law.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders or by the board of directors, at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors, if notice of such alteration, amendment, repeal or adoption of new by-laws be contained in the notice of such special meeting. The power to adopt, amend or repeal by-laws conferred upon the board of directors shall not divest or limit the power of the stockholders to adopt, amend or repeal by-laws.

These Bylaws have been duly adopted by the Company, effective January __, 2002.

Jose J. Gonzalez, Secretary

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into as of the 30th day of November, 1995, by and between LATINOCARE MANAGEMENT CORPORATION, a California corporation ("Manager"), and LATINOCARE NETWORK MEDICAL GROUP, INC., a California professional corporation ("IPA").

RECITALS

I. IPA is a California professional corporation duly organized under the laws of the State of California and operated as an individual practice association, which enters into agreements with organizations such as health care service plans (HMOs), preferred provider organizations (PPOs), exclusive provider organizations (EPOS), and other purchasers of medical services (hereinafter collectively referred to as "Plans") for the arrangement of the provision of health care services to subscribers or enrollees of said Plans (the "Practice"); and

A. IPA has entered into written agreements with physicians and other health care professionals ("Participating Providers") to provide or arrange for the provision of health care services to subscribers or enrollees of Plans who have or will contract with IPA for health care services; and

B. In addition to providing or arranging for the provision of health care services to subscribers or enrollees of Plans, IPA has also agreed to perform a variety of administrative and management services in connection with the provision of health care services to subscribers or enrollees of Plans; and

D. Manager is in the business of providing management and administrative services, and has developed a system of operations, management and marketing for independent practice associations engaged in providing health care services; and

E. IPA desires to devote all of its time to arranging for the delivery of health care services to Plan subscribers or enrollees, and in connection therewith desires to obtain the professional assistance of Manager in managing the business aspects of the Practice; and,

F. Manager desires to provide IPA with the necessary support to manage the business aspects of the Practice, including but not limited to clerical and billing services, claims pursuit and collection, cash flow management, marketing and general administrative services (collectively, "Management Services"), to enable IPA to concentrate on the development of the professional. aspects of the Practice; and

NOW THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Premises.

Pursuant to the Master Lease specified below, Manager shall provide adequate IPA administrative office space at the address described therein (the "Premises") and facilities for the operation of the IPA administrative office with leasehold improvements, auxiliary services and utilities in order that IPA may effectively perform its functions and duties.

In consideration of the sums to be paid to Manager under the terms of this Agreement, Manager hereby leases to IPA during the term of this Agreement the facilities and leasehold improvements at the Premises and the furniture, fixtures and equipment (the "FF&E") listed on Exhibit "B" attached hereto and incorporated herein by this reference, under the following terms and conditions:

1.1. Manager is the lessee under a lease for the Premises (the "Master Lease") a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference. IPA hereby acknowledges that the Premises described in the Master Lease are suitable for the IPA's administrative office space. Based and contingent upon IPA's promise to timely pay all amounts due under this Agreement, Manager hereby agrees to sublease a portion of the leased Premises to IPA upon the following terms and conditions:

1.1.1. This sublease between Manager and IPA of the Premises shall be subject to all of the terms and conditions of the Master Lease. In the event of the termination of Manager's interest as lessee under the Master Lease for any reason, then the sublease created hereby shall simultaneously terminate unless IPA is willing to assume the obligations under the Master Lease and the Lessor consents thereto.

1.1.2. All of the terms and conditions contained in the Master Lease

are incorporated herein as terms and, conditions of the sublease (with each reference therein to "Lessor" and "Lessee," to be deemed to refer to Manager and IPA, respectively) and, along with the provisions of this Section 1.1 and Exhibit "A," shall be the complete terms and conditions of the sublease created hereby.

1.1.3. Notwithstanding the foregoing,, as between Manager and IPA, Manager shall remain responsible for meeting the obligations of "Lessee" under the sections entitled Rent, Additional Rent Adjustment, Insurance on Fixtures, Liability Insurance, Repairs, and Taxes of the Master Lease, and IPA shall have no monetary obligation in that regard. In addition, as between Manager and IPA, Manager shall retain all rights to exercise any options to purchase the Premises, or other similar rights of ownership or possession, which may be granted under the Master Lease, and IPA shall have no rights in that regard.

1.1.4. In the event this Agreement is terminated according to its terms, this sublease shall also terminate automatically.

1.1.5. If the Master Lease contains an option to renew the term thereof, Manager shall notify IPA, at least thirty (30) days prior to the expiration of the time for exercising such option, of Manager's intention to renew or not to renew such term. If Manager determines not to renew such term, Manager shall, at IPA's option and upon the consent of the Landlord in accordance with the terms of the Master Lease, assign the Master Lease to IPA, including Manager's right to renew the term thereof.

2. Provision of Furniture, Furnishings and Equipment.

Manager hereby provides to IPA, and IPA hereby leases from Manager, all the FF&E, which FF&E IPA agrees are suitable and sufficient for IPA's use in the operation of the Practice at the Premises and are generally in good repair. The use by IPA of said FF&E shall be subject to the following conditions:

2.1. Title to all of the FF&E shall remain in Manager at all times, and upon the termination of this Management Services Agreement, IPA shall immediately surrender the FF&E to Manager in as good condition as of the date hereof, normal wear and tear excepted. Alternatively, IPA, in its sole discretion, shall have the option to purchase any, or all of the FF&E upon termination hereof. IPA shall exercise such option, if at all, by giving Manager written notice of same (the "Notice") within twenty (20) days of the effective date of termination hereof. Upon exercise of such option, Manager shall convey to IPA within thirty (30) days of the effective date of termination hereof, all of the FF&E identified in the Notice, together with (i) any manufacturer's warranties that Manager has received in connection with such FF&E and (ii) a bill of sale or such other instrument of conveyance as is reasonably necessary to accomplish said purchase; and IPA shall simultaneously convey to Manager the purchase price for said FF&E. The purchase price shall be paid all in cash, and shall equal the fair market value of the FF&E.

2.2. Manager shall be responsible for all repairs and maintenance of the FF&E other than damage caused by negligence or willful misuse by IPA; provided, however, IPA shall employ reasonable efforts to prevent damage to and excessive wear of the FF&E, and shall promptly notify Manager of any needed repairs thereto.

2.3. Manager shall be responsible for all property taxes and other assessments relating to or arising out of ownership or use of the FF&E that accrue on and after the date hereof.

2.4. Manager shall provide and maintain, at its expense, such additional or replacement FF&E as the Practice reasonably requires from time to time, as determined by Manager in its sole discretion, in consultation with IPA. Such additional or replacement FF&E shall be subject to all of the terms of Section 2.1 above.

2.5. IPA may provide additional equipment at the Practice ("IPA Equipment") at its sole cost and expense. IPA shall be responsible for all repairs, maintenance and replacement of, as well as all property, taxes and other assessments relating to or arising out. of ownership or use of, such additional equipment, unless IPA requests that Manager provide such repairs, maintenance and replacement upon such terms and conditions as the parties may agree including, without limitation, an increase in the Management Fee (as defined in Section 8 below). Title to said IPA Equipment shall remain in IPA's name at all times.

2.6. All revenues of the IPA derived directly or indirectly from any and all FF&E or IPA equipment located at or used in connection with the Practice, shall be included in "Revenues" as defined in Exhibit "E."

3. Manager Responsibilities

3.1. During the term of this Agreement, IPA engages Manager to serve as its sole and exclusive manager for and on behalf of IPA and hereby grants Manager the authority and responsibility, as specifically set forth herein, to supervise and manage the day to day operation of the IPA and Manager agrees to furnish to IPA those Management Services in a manner to enable IPA's compliance with the management and administrative requirements of Plans, and in accordance with the performance standards set forth in Exhibit "C".

3.1.1. General Administrative Services

Manager shall provide general business management, administration and supervision for the business operations of IPA, which shall include secretarial and other office personnel support services, staff support for IPA'S board of directors and committee meetings, administrative record keeping, and other similar administrative services required in the day-to-day operation of IPA.

3.1.2. Accounting and Financial Management Services.

3.1.2.1. Manager shall, pursuant to IPA's instructions, establish bank accounts in the name of IPA ("Accounts") for the deposit of all sums received by IPA for services provided to Members. IPA agrees that Manager shall have the authority to deposit checks and funds received by IPA in Accounts. Manager shall further have the authority to make transfers of funds to jointly authorized Accounts arid further, manager shall have the authority to sign checks and stop payment on any checks drawn on Accounts.

3.1.2.2. Manager agrees to reconcile checks written with bank statements on a monthly basis;

3.1.2.3. Manager agrees to make recommendations regarding check signature approvals and banking procedures of IPA;

3.1.2.4. Manager agrees to prepare balance sheets and income statements on a monthly basis, during the term of this Agreement. Such financial statements shall not be audited statements. Manager agrees to cooperate with, any annual audit IPA obtains at, its sole cost and expense by an independent public accountant selected by IPA;

3.1.2.5. Manager shall receive and deposit on a timely basis capitation and other payments received by IPA;

3.1.2.6. Manager shall calculate primary care capitation and specialty, ancillary and other payable claims based on the records provided by the Plans and shall prepare checks to pay such amounts due and shall mail said payments to the respective Participating Providers;

3.1.2.7. Manager shall monitor Plan subscribers or enrollees exceeding stop loss deductibles and communicate with Plans orally or in writing to seek reimbursement on behalf of IPA;

3.1.2.8. Manager shall bill other payors for coordination of benefits and other third party liability payments according to the terms of the Plan/IPA Agreements;

3.1.2.9. Manager shall distribute any bonus/hospital risk sharing settlements according to policies and procedures adopted by IPA;

3.1.2.10. Manager shall monitor any other revenue receipt programs Plans may have, including but not limited to pre-existing pregnancy recovery, and seek reimbursement from said Plans.

3.1.3. Office Service; Billing.

Manager shall provide bookkeeping and accounting services, including, without limitation, maintenance, custody and supervision of IPA's business records, papers and documents, ledgers, journals and reports, and the preparation, distribution and recording of all bills and statements for

professional services rendered by IPA, as, well as all reports and forms required by applicable third party payors. IPA shall at all times have the ultimate responsibility for setting all fees for professional services. All billings for services rendered to patients by the Practice shall be made under IPA's name and provider number(s), and Manager shall act as IPA's agent in the preparation, rendering and collection of such billings. IPA hereby appoints Manager for the term hereof as its true and lawful agent for the following purposes:

3.1.3.1. to bill patients in IPA's name and on its behalf;

3.1.3.2. to collect accounts receivable generated by such billings in IPA's name and on IPA's behalf;

3.1.3.3. to receive on behalf of IPA payments from the patients, Plans, Medicare, Medicaid, and all other third-party payors;

3.1.3.4. to take possession of and deposit in the name and on behalf of IPA to one or more Accounts designated by IPA any notes, checks, money orders, insurance payments, and any other instruments received as payment of accounts receivable; and

3.1.3.5. to collect in IPA's name and on its behalf all collections of Gross Revenues (as defined in Exhibit "B" hereto).

3.1.4. Claim Settlement; Exculpation. IPA acknowledges and agrees that Manager shall have discretion to compromise, settle, write off or determine not to appeal a denial of any claim for payment for any particular professional service rendered at the Practice; provided, however, that Manager shall consult with IPA regarding the resolution of difficult claims. Further., IPA agrees to hold harmless Manager and. its officers, directors, agents, contractors, representatives and employees, from and against any and all liability, loss, damages, claims, causes of action, and expenses associated therewith (including, without limitation, attorneys fees) caused or asserted to, have been caused, directly or indirectly, by or as a result of any acts, errors or omissions hereunder of Manager or any of its officers, directors, agents, contractors, representatives and employees, in performing Manager's billing or collection duties hereunder.

3.1.5. Business Planning. Within sixty (60) days prior to the beginning of each fiscal year of IPA, Manager and IPA shall jointly prepare and/or revise short and long-term strategic and business plans for such

fiscal year and the following five years, which shall include information with respect to IPA's major business objectives, anticipated revenues and expenses, capital expenditures, cash flow, managed care plan patient volume and staffing projections, and a discussion of anticipated changes, if any, in utilization, reimbursement rates and other significant criteria. The business plans will reflect, in reasonable detail, the anticipated revenues, expenses, and sources and uses of capital for growth and expansion.

3.1.6. Financial Reports. Furnishing to IPA monthly and annual financial reports reflecting the IPA's financial status, provided that Manager shall have no obligations with respect to any shareholder's of IPA personal finances or any tax returns of the IPA or any shareholder of IPA.

3.1.7. Provider Contract Administration. During the term of this Agreement, Manager shall provide the following provider contract administration services to IPA:

3.1.7.1. Identify and solicit participation of health care providers identified by the IPA as necessary for IPA operations;

3.1.7.2. Review and make recommendations regarding the business terms of agreements between IPA and Participating Providers;

3.1.7.3. Make recommendations regarding compensation to Participating Providers;

3.1.7.4. Make recommendations regarding the definition of primary, specialty and ancillary services;

3.1.7.5. Instruct all Participating Providers and their office

staff regarding established IPA policies and procedures at least annually during the term of this Agreement.

3.1.7.6. Coordinate the preparation, negotiation and renewal of IPA Participating Provider Agreements.

3.1.8. Administer Member Eligibility Process. Manager shall provide the following services regarding administration of the member eligibility process:

3.1.8.1. Maintain and update a current eligibility list of Plan subscribers and enrollees under all Plan agreements;

3.1.8.2. Verify eligibility on claims and referrals based on the most current information provided by Plans;

3.1.8.3. Administer a system for retroactive eligibility determination and assist IPA in identifying outstanding accounts, receivable from ineligible patients.

3.1.9. Utilization Management/Quality Assurance. Manager agrees to provide the following services regarding utilization management and quality assurance.

3.1.9.1. Manager shall develop a proposal outlining the structure and functions of an IPA utilization and quality management plan after reviewing the requirements of each Plan. IPA agrees, following review of Manager's recommendations, to adopt an IPA utilization and quality management plan which includes a list of services for which Manager has received authority from IPA to authorize services provided. In authorizing said services, Manager shall be the agent of IPA;

3.1.9.2. Manager shall implement systems, programs and procedures necessary for IPA and Participation Providers to perform utilization and quality management.

3.1.9.3. Manager shall recommend procedures for prior authorization of elective, urgent and emergent out-patient ambulatory surgery and hospital procedures;

3.1.9.4. Manager shall assist IPA with prospective, concurrent and retrospective review of medical procedures in accordance with IPA policies and Plan requirements;

3.1.9.5. Manager shall provide data regarding the use of outpatient and inpatient services by provider to IPA;

3.1.9.6. Manager shall provide data regarding the use of noncontracting providers;

3.1.9.7. Manager shall provide secretarial support, logs, and minutes to the Medical Director and the UR/QA Committee of IPA;

3.1.9.8. Manager shall assist Medical Director and the UR/QA Committee in responding to Plan Member grievances based on the instructions of the Medical Director;

3.1.9.9. Manager shall provide staff assistance to IPA in the credentialing process IPA is required to conduct to assure that providers have current licenses and medical staff privileges.

3.1.10. Supplies. Manager shall order and purchase all supplies required by IPA in connection with the operation of the Practice, including furnishing to IPA all necessary forms, supplies, postage and duplication services, provided that all supplies acquired and services provided shall be reasonably necessary in connection with the day-to-day operations of the Practice.

3.1.11. Filing of Reports. Manager shall prepare and file all forms, reports, and returns required by law in connection with unemployment insurance, workers' compensation insurance, disability benefits, social security, and other similar laws (excluding income or franchise tax forms of IPA or any of IPA's shareholders, employees or contractors or providing any other tax-related services on their behalf) now in effect or hereafter imposed.

3.1.12. Marketing. Subject to IPA's prior approval, Manager will assist IPA in IPA's marketing and advertising of the health care services provided by IPA. Manager, shall provide and be principally responsible for marketing and advertising service's for IPA and prepare signs, brochures, letterhead, advertisements, and other marketing materials for IPA. Manager may, at its discretion, contract with third parties to assist it in the provision of IPA marketing and public relations services, should Manager deem such action advisable. Manager shall produce and distribute such written descriptive, materials concerning IPA's professional services, subject to the prior approval of IPA, as may be necessary or appropriate to the conduct of the Practice. In providing such marketing services, Manager is acting solely in its capacity as administrator for the IPA. At no time shall Manager hold itself out as providing, or actually provide, medical services on behalf of IPA. All such marketing services shall be conducted in accordance with the laws, rules, regulations and guidelines of all applicable governmental and quasi-governmental agencies, including but not limited to the Medical Board of California.

3.1.13. Professional and Other Services. Manager shall be responsible for arranging and paying for payroll, legal and accounting services related to IPA operations in the ordinary course of business, including the cost of enforcing any managed care plan, physician or subcontractor contracts, but excluding the cost of malpractice suits.

3.2. Managed Care Contracting

3.2.1. Manager shall act as IPA's exclusive agent in seeking and negotiating managed care contracts ("Contracts"). Manager is hereby

authorized to negotiate all terms of the Contracts. IPA hereby appoints Manager for the term hereof as its true and lawful agent to perform all actions contemplated by this Section including, without limitation, the preparation, negotiation, renewal and execution of Contracts on IPA's behalf and binding IPA to performance thereunder, provided that the Plan with whom each Contract is entered agrees to pay an amount for IPA's professional services thereunder equal to or greater. than the minimum rate that IPA shall specify to Manager. IPA shall complete and execute the Power, of Agency attached hereto as Exhibit "D."

3.2.2. Manager shall also be responsible for general monitoring of, IPA compliance with the requirements, terms and conditions of Plan Contracts.

3.2.3. Manager shall notify and provide copies to IPA of each Contract (together with all related materials received from the applicable Plan) that Manager executes as IPA's agent. IPA shall comply with all terms of each Contract including, without limitation, the terms of all documents or instruments incorporated therein by reference and all documents or instruments related there to that Manager executes or agrees to on IPA's behalf, as well as all applicable law. IPA further agrees that an essential term of this Agreement is IPA's undertaking to provide cost-effective medical care consistent with accepted medical practices prevailing in the IPA's service area.

3.2.4. Nothing in this Agreement shall prevent Manager from entering into similar agreements with Plans on behalf of other independent practice associations, medical groups, physicians, health care professionals or entities, comprised of physician or health care professionals.

3.2.5. IPA acknowledges and agrees that (i) Manager shall in no way be responsible for payment of any sums payable to IPA under any such Contract (whether by any Payor or otherwise), and (ii) Manager in no way guarantees or insures the payment to IPA of any such amounts.

3.3. Personnel.

Manager shall employ or contract with and provide all necessary personnel, including quality assurance, utilization review, claims processing, secretarial and clerical personnel as are reasonably necessary for the conduct of the Practice (collectively, "Manager Personnel(degree)). Manager shall, in its sole and absolute discretion, determine the types and numbers of personnel and the number of hours and schedules of said personnel it determines are necessary or

appropriate to provide the administrative and management services to be provided pursuant to this Agreement; provided, however, that the overall cost of such Manager Personnel shall not exceed the costs for such allocated in the IPA Business Plan prepared pursuant to Section 3.1.5 hereof. Manager shall provide

such personnel at its sole cost ;and expense and such personnel may, at the sole and absolute discretion of Manager, be employees or independent contractors of Manager. Manager shall have sole control over promotion and employee disciplinary and termination matters with respect to Manager Personnel.

3.4. Notwithstanding the delegation of management and administrative functions to Manager pursuant to this Agreement, IPA and its board or directors or other governing body shall retain and exercise ultimate control and authority over the direction, policies, management and operation of IPA at all times. Therefore, management and administrative functions delegated to IPA pursuant to this Agreement shall be performed in a manner consistent with the general policies and directives of IPA. All professional medical and healthcare services provided to subscribers or enrollees shall be ,the ultimate responsibility of the IPA's Participating Providers. IPA shall use its best efforts to cause Participating Providers to cooperate with Manager in the implementation of the, protocols, programs, policies, and procedures developed for IPA by Manager.

3.5. Manager is hereby expressly authorized by IPA to perform all services, required of Manager pursuant to the terms of this Agreement in the manner Manager deems reasonable and appropriate to meet the day-to-day requirements of IPA. To the extent required or desirable to enable Manager to perform such services, IPA hereby appoints Manager for the term hereof as its true and lawful agent. IPA acknowledges and agrees that Manager may subcontract with other persons or entities, including entities related to Manager by ownership or control, to perform any part or all of the services required of Manager hereunder.

3.6. Upon the request of IPA, Manager shall, provide or arrange for the provision of additional services, beyond those described herein. Any additional services provided by Manager are subject to Manager's capacity and availability to provide the services so requested. Should Manager provide such, additional services, IPA agrees to pay Manager for such services at its then current rates as a supplemental payment to the Management Fee described herein.

3.7. Notwithstanding any other provision contained herein, Manager shall not be liable to IPA and shall not be deemed to be in default hereunder for the failure to perform, or provide any of the services, personnel or other

obligations to be performed or provided by Manager pursuant to this Agreement if such failure is a result of collective bargaining, a labor dispute, act (s) of God, or any other event which is beyond the reasonable, control of Manager or which was, not reasonably foreseeable by Manager.

4. Responsibilities of IPA.

4.1. IPA covenants and agrees that, at all times during the term of this Agreement and any extension thereof, it shall conduct all corporate activities required by its Articles of Incorporation and Bylaws, including but not limited to election of a Board of Directors, election of Officers, appointment of a Medical Director, appointment of committee members including but not limited to the Utilization Review and Quality Assurance Committees. IPA shall be solely responsible for payment of any and all compensation, payroll taxes, fringe benefits, disability insurance, workers' compensation insurance and any other benefits of all such individuals.

4.2. IPA shall not enter into any agreements with Participating Providers unless such Participating Providers have: (i) current unrestricted licenses to practice their; respective professions in the State of California and (ii) current unrestricted Federal Drug Enforcement Agency ("DEA") numbers. In addition, where IPA contracts with individual physicians, such physicians shall have medical staff membership at the hospitals required by Plans and where IPA contracts with licensed clinics and medical groups, at least one primary care physician practicing at each clinic or medical group shall have medical staff membership at the hospitals required by Plans. IPA further agrees to establish procedures to ensure that Participating Providers ,meet these requirements on an, ongoing basis. Manager shall reasonably cooperate with and assist IPA to meet its obligations under this Section 4.2; provided however, that IPA acknowledges and agrees that it shall retain ultimate responsibility for meeting such obligations.

4.3. IPA shall provide or arrange for professional medical services for Plan subscribers and enrollees in; compliance with ethical standards, laws and regulations applying to the medical profession.) IPA agrees to use its best efforts in providing or arranging for medical services, selecting Participating Providers and in implementing quality assurance and utilization review programs in order to provide high quality, cost efficient medical care. IPA's quality assurance and utilization review program shall, at all times, meet the requirements established by Plans and state of federal laws.

4.4. IPA covenants and agrees that it shall take reasonable, good faith efforts to maintain its business consistent with its current operations and with any expansion contemplated by the business plans referenced in Section 3.1.5 of this Agreement. IPA acknowledges and agrees that Manager may require the employment or contracting with additional physicians (or other health care professionals) should IPA not maintain its business as contemplated above.

4.5. IPA ,shall, at its sole cost and expense, procure and maintain at all times during the term of this Agreement comprehensive general and professional liability insurance covering all activities of IPA directly or indirectly relating to IPA, each policy in a minimal, amount of $1,000,000.00 per occurrence and $3,000,000.00 in the aggregate. The afore described comprehensive general and professional liability insurance shall be issued by a company or companies authorized to do business in California with a financial rating of at least A:12 or better in "Best's Key Rating Guide" or its equivalent. In the event IPA procures a "claims made" policy as distinguished from an "occurrence" policy, IPA shall procure and maintain at its sole cost and expense, prior to termination of such insurance, "tail" coverage to continue and extend coverage complying with this Agreement after the end of the "claims made" policy. Upon reasonable request from Manager, IPA shall cause to be~ issued to Manager proper certificates of insurance, evidencing that the foregoing provisions of this Agreement have been, complied with, and said certificates shall provide that prior to any cancellation or change in the underlying insurance during the policy period, the insurance carrier shall first give thirty (30) calendar days written notice to Manager.

4.6. IPA Shall ensure that Participating Providers procure and maintain professional liability insurance with minimum coverage amounts of $1,000,000.00 per occurrence and $3,000,000.00 in the aggregate. IPA shall ensure that any Participating Provider who procures insurance required hereunder on a "claims made" rather than an "occurrences" form will obtain either extended reporting insurance coverage (tail coverage) with liability limits equal to those most recently in effect prior to the day of termination of such Participating Provider's contract with IPA, or will enter into such other arrangements as shall reasonably assure the maintenance of coverage for such Provider, IPA, and Manager against the risk of loss in respect of professional services rendered by such provider while this Agreement was in effect and for a period of not less than seven (7) years after the date of termination of this Agreement.

4.7. IPA acknowledges and agrees that it is solely responsible for making all required reports to the Medical Board

of California under Section 805 of the California Business and Professions Code andlllthe National Practitioner Data Bank

4.8. IPA acknowledges and agrees that it shall reasonably assist and cooperate with Manager to meet all of Manager's obligations under this Agreement, including, approval of agreements and provision of information. IPA acknowledges and agrees that Manager shall have no liability for IPA's failure to pay any and all of IPA's debts and expenses.

5. Term: Termination.

5.1. Term. The term of this Agreement (the "Term") shall commence on the date hereof and shall expire on the twenty fifth (25th) annual anniversary hereof unless earlier terminated as provided below. The term of this Agreement shall be automatically extended for additional terms of ten (10) years each, unless either party delivers to the other, not less then twelve (12) months nor earlier than fifteen (15) months prior to the expiration of the preceding term, written notice of the party's intention not to extend the term of this Agreement.

5.2. Termination for Cause. Either party may terminate this Agreement for cause at any time during the Term, immediately upon written notice (except as otherwise provided below). For purposes of this Section 5.2 "cause" shall include, without limitation, the following:

5.2.1. If either party fails to materially perform any obligation required hereunder, and such default shall continue for thirty (30) calendar days after written notice from the other party specifying the nature-and extent of failure to materially perform such obligation, this Agreement shall terminate automatically and immediately upon the expiration of said thirty (30) calendar day period; provided, however, that if the obligation which the defaulting party fails to perform is other than the failure to make payment of money, and greater than thirty (30) calendar days are required to perform said obligation then such party shall not be in default of this Agreement and the Agreement shall not terminate as provided hereinabove if such party commences performance within said thirty day period and diligently pursues said obligation to completion.

5.2.1.2. If either party shall apply for or consent to the appointment of a petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or answer seeking reorganization or arrangement with creditors, or take advantage of arty insolvency, or if any order, judgment, or

decree shall be entered by any court of competent jurisdiction on the application of la creditor or otherwise adjudicating either party bankrupt or approving a petition seeking reorganization of either party or appointment of a receiver, trustee or liquidator of either party or all or a substantial part of its assets, and such order, judgment or decree shall continue stayed and in effect for sixty (60) calendar days after its entry, termination shall be effective automatically and immediately upon the occurrence of the foregoing.

5.3. Jeopardy. In the event the performance by either party hereto of any term, covenant, condition or provision of this Agreement should be determined by a state or federal court or governmental agency to be in violation of any statute; ordinance, or be otherwise deemed illegal ("Jeopardy Event"), then the parties shall use their bet efforts to meet forthwith and attempt to negotiate an amendment to this Agreement to remove or negate the effect of the Jeopardy Event. In the event the parties are unable to negotiate such an amendment within thirty (30) days following written notice by either party of the Jeopardy Event, then either party may terminate this Agreement immediately upon written notice.

6. Representations and Warranties of IPA.

The following representations and warranties of IPA are made to Manager for the purpose of inducing Manager to enter into this Agreement. IPA represents and warrants as follows:

6.1. IPA is a professional corporation duly organized, validly existing and, in good standing under the laws of the State of California and has all necessary corporate powers, to own its properties and to operate pursuant to its corporate purposes.

6.2. IPA's Board of Directors has all requisite power to execute, deliver and perform this Agreement. Neither the execution and delivery of this Agreement, nor the consummation and performance of the transaction contemplated in this Agreement, shall constitute a default or an event that would constitute a default under, or violations or breach of, IPA's Articles of Incorporation, Bylaws or any license, lease, franchise, mortgage, instrument, or other agreement to which IPA may be bound.

6.3. IPA has furnished Manager full and complete copies of all contracts and agreements affecting IPA including, but not limited to, all contracts to which IPA is a party.

6.4. IPA and any and all physicians providing services to Plans have each complied with, and are not in violation of, applicable federal, state or local statutes, laws and regulations including, but not limited to, statutes, laws and regulations regarding the practice of medicine and surgery in California, participation in the Medicaid and Medicare program; or the operation of IPA and all applicable standards of practice relating to the provision of professional services hereunder.

6.5. IPA and any and all Participating Providers providing services for the IPA have each obtained and currently maintain all necessary licenses, permits, contracts, and approvals required by federal, state or local statutes and regulations for the proper conduct of the business of the IPA as it is now being conducted and have been approved by the Board of Directors or its properly designated committee, as documented by written committee minutes.

6.6. There is no action, suit, proceeding, investigation or litigation outstanding, pending or, to the best of IPA's knowledge, threatened, affecting IPA other than routine patient collection matters and professional liability cases adequately covered by insurance:

6.7. IPA represents and warrants that each IPA Participating Provider is as of the date hereof, and shall at all times during the term hereof be and remain:

6.7.1. duly licensed to practice medicine within the State of California and in possession of a federal DEA number, all without limitation, restriction or condition what so ever;

6.7.2. entitled to receive Medicare land Medicaid reimbursement without limitation, restriction or condition whatsoever;

6.7.3. in compliance with the insurance requirements set forth in Section 4.5 hereof.

6.8. IPA represents and warrants that it and each IPA Participating Provider shall W comply with all applicable governmental laws, regulations, ordinances, and directives and (ii) perform his or her work and functions at all times in strict accordance with currently approved methods and practices in his or her field.

6.9. IPA shall ensure that Manager shall be entitled to appoint a representative who will be permitted to attend meetings of the IPA's Board of Directors and Shareholders (except when specified matters may be discussed, including peer

review matters and matters relating to evaluations of the performance of Manager under this Agreement I).

6.10. IPA shall not take any of the following actions without the prior written consent of Manager (which consent shall not be unreasonably) withheld or delayed): (a) borrow funds not contemplated by the business plans referenced in Section 3.1.5 hereof or sell, transfer or encumber any of IPA's assets with a value in excess of one hundred thousand dollars ($100,000); (b) merge, consolidate or affiliate with any other entity; or (c) initiate any corporate reorganization, merger, affiliation or dissolution.

7. Representations and Warranties of Manager.

The following representations and warranties of Manager are made to IPA for the purpose of inducing IPA to enter into this Agreement. Manager represents and warrants as follows:

7.1. Manager is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has all necessary corporate powers to own its properties and to operate pursuant to its corporate purposes.

7.2. Manager has all requisite power to execute, deliver and perform this Agreement. Neither the execution and delivery of this Agreement, nor the consummation and performance of the transactions contemplated in this Agreement, shall constitute a default, or an event that would constitute a default under, or violation or breach of, Manager's Articles of Incorporation, Bylaws or any license, lease, franchise, mortgage, instrument, or other agreement to which Manager may be bound.

7.3. There is no action, suit, proceeding, investigation or litigation outstanding, pending or, to the best of Manager's knowledge, threatened, affecting Manager.

7.4 Acting as the sole and exclusive manager on behalf of IPA, Manager agrees, during the term of this Agree lent, not to establish any other independent practice association) to act as direct competition with IPA in the State of California. Direct competition is defined as any independent practice association that would primarily provide health care services to the Hispanic population in the State of California.

8. Management Fee.

Manager shall be entitled to compensation for its Management Services and other obligations hereunder as set forth in Exhibit "E" attached hereto ("Management Fee").

9. Rights of Manager Upon Termination.

9.1. In the event of the termination of the Agreement for any reason, including without limitation the breach of this Agreement by either party, Manager shall be entitled,, to recover (out of the Account's (as defined in Section 3.1.2.1 hereof) or otherwise) from IPA its Management Fee with respect to all Revenues (As defined in Exhibit E hereof) of the IPA that have accrued on or before the date of termination, and all additional fees, advances and other charges owed to Manager that had accrued but were unpaid as of the date of

termination.

9.2. Upon, the effective date of termination of this Agreement, IPA shall thereafter be automatically relieved and released from all further liability and obligation hereunder except for: (a) the payment of any accrued but unpaid Management Fees, additional fees, advances and other charges due under this Agreement; (b) IPA's obligation to cease from any further use of the Proprietary Information of Manager as set forth in Section 13.1 herein; (c) IPA's obligation to obtain "tail" insurance as set forth in Section 4.5I, herein; and (d) IPA's obligation not to hire any employee, independent contractor, consultant or agent of Manager as set forth in Section 13.2 herein.

10. Security for Management Fee; Bank Account.

IPA hereby grants in favor of Manager a lien upon and security interest in and to all of IPA's billings and accounts receivable with respect to health care services rendered by IPA's Participating Providers as security under the California Commercial Code for payment of the unpaid balance of all Management Fees and any other sums due to Manager hereunder, and IPA shall, upon request, execute, acknowledge and deliver to Manager a Uniform Commercial Code Financing Statement, in a form and content acceptable to Manager covering such collateral. Manager's right to enforce its security on all such billings and receivables shall continue after termination of this Agreement until all sums owed to Manager by IPA are plaid in full. IPA shall complete and execute the Security Agreement attached hereto as Exhibit "F."

11. Assignable Option Agreement: IPA.

As a condition of Manager's execution of this, Agreement, IPA and IPA's shareholders shall complete and execute the Assignable Option Agreement attached hereto as Exhibit "G"

12. Indemnification.

Each party shall indemnify, defend and hold harmless the other, its officers, directors, agents, contractors, representatives and employees, and each of its affiliates from and against any and all liability, loss, damages, claims, causes of action, and expense's associated therewith (including without limitation attorneys' fees) caused or asserted to have been caused, directly or indirectly, by or as a result of any acts, errors or omissions hereunder of the other, its contractors, shareholders, employees or agents during the term hereof. The provisions of this section shall survive the expiration or earlier termination of this Agreement.

13. Proprietary Information.

13.1. At all times during the term hereof and following the expiration or earlier termination of this Agreement, all trade secrets and proprietary confidential information of IPA and Manager, including without limitation, all forms of contracts and other business documents or information of IPA and Manager, whether currently or in the future developed or maintained by IPA or Manager and including any and all deletions, additions, modifications and amendments thereto (collectively, "IPA or Manager's Proprietary Materials"), shall be the exclusive, sole and absolute property of the party that develops such. Both parties acknowledge and agree that the other party has developed their Proprietary Materials at significant expense, and that said Proprietary Materials are not available for review or use by members of the public All of the Proprietary Materials for each party are and shall at all times remain confidential and proprietary and constitute valuable trade secrets of the respective party. Except in the ordinary course of performing its obligations under this Agreement and except upon Manager's or IPA's prior written consent to the other party, IPA and Manager shall not disclose to anyone, use, copy, or take any such trade secrets or confidential and proprietary information for Manager's or IPA's benefit or gain either during the term of this Agreement or at any time after the termination hereof. Upon any expiration or earlier termination of this Agreement for any reason, IPA and Manager shall not, without the prior written consent of the

other party, take or use any of IPA or Manager's Proprietary Materials, and shall return to IPA or Manager all, of the other party's Proprietary Materials in their possession or control.

13.2. At all times during the term hereof and following the termination of this Agreement, neither IPA or Manager shall not, directly

or indirectly, interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between IPA or Manager and any health care provider or supplier (including, without limitation, any physician or osteopath), or any employee, independent contractor, consultant or agent of IPA or manager. Manager and IPA further agree not to hire, engage or contract with, either as an independent contractor, employee or in any other capacity, any personnel of the other party during the first twelve (12) months following the effective expiration or termination date hereof without the other party's prior written consent.

13.3. The provisions of this Section 13 shall survive the termination of this Agreement.

14. Independent Contractors.

The parties hereto acknowledge and agree that the relationship created between Manager and IPA is. strictly that of independent contractors. Nothing contained herein shall be construed as creating a partnership or joint venture relationship between the parties. Each party hereto shall be responsible for all compensation, salaries, taxes, withholdings, contributions, benefits, and workers' compensation insurance with respect to all personnel employed or 1, contracted by said party and shall indemnify, defend, and hold harmless the other party and, its officers, directors, agents, contractors, representatives and employees (and, in the case of IPA's indemnification of Manager, Manager's affiliates and subcontractors) from and against any and all liability, loss, damages, claims, causes of action, and expenses associated therewith (including, without limitation, attorneys' fees) caused or asserted to have been caused, directly or indirectly, by or as s result of same. The provisions of this Section shall survive the expiration or earlier termination of this Agreement.

15. Miscellaneous

15.1. No Third Party Beneficiaries. The parties intend that the benefits of this Agreement shall inure only to Manager and IPA and not to any third person, except as expressly so stated herein. Notwithstanding anything contained herein, or ,any conduct or course of conduct by any party hereto, before or after signing this Agreement, this Agreement shall not be

construed as creating any right, claim or cause of action against either Manager or IPA by any other person or entity.

15.2. Entire Agreement. This Agreement, together with all exhibits and schedules hereto, and all documents referred to herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, supersedes all other and prior agreements on the same subject, whether written or oral, and contains all of the covenants and agreements between the parties with respect to the subject matter hereof. Each parity to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally. or otherwise, have been made by the other party(ies), or by anyone acting on behalf of any party, that are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding.

15.3. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs (as applicable), legal representatives and permitted successors;, and assigns. IPA may not assign this Agreement or the rights, interests or obligations hereunder. Any assignment or delegation in contravention of this Section 15.3 shall be null and void.

15.4. Counterparts. This Agreement, and any amendments thereto, may be executed in counterparts, each of which shall constitute an original document, but which together shall constitute one and the same instrument.

15.5. Headings The section headings contained in this Agreement are inserted for convenience only and shall not effect in any way the meaning or interpretation of this Agreement.

15.6. Notices. Any notices required or permitted to be given hereunder by either party to the other shall be in writing and shall be deemed delivered upon personal delivery or delivery by electronic facsimile; twenty-four (24) hours following deposit with a courier for overnight delivery; or seventy-two (72) hours following deposit in the U.S. Mail, registered or certified mail, postage prepaid, return-receipt requested, addressed to the parties at the following addresses or to such other addresses as the parties may specify in writing:

If to IPA: Latino Care Network Medical Group, Inc.
8635 5. Florence Ave., Suite 207
Downey, CA 90240
Attention: Roberto Chiprut, M.D.

with a copy to: Cooper, Margolin & Biatch
1970 Broadway, Suite 940
Oakland, California 94612
Attention: Eric P. Gold, Esq.

If to Manager: LatinoCare Management Corporation
8635 E. Florence Ave., Suite 207
Downey, CA 90240
Attention: Jose J. Gonzalez

with copies to: Miller & Holguin
1801 Century Park East, 7th Floor
Los Angeles, California 90067
Attention: Dale S. Miller, Esq.

Cedars Sinai Medical Center
8700 Beverly Blvd.
Los Angeles, California 90048
Attention: Joseph C. Luevanos

15.7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

15.8. Amendment. This Agreement may be amended at any time by agreement of the parties, provided that any amendment shall be in writing and executed by both parties.

15.9. Severabilitv. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity or unenforceability would defeat an essential business purpose of this Agreement.

15.10. Exhibits. All exhibits attached to this Agreement are incorporated herein by this reference and all references herein to "Agreement" shall mean this Agreement together with all such exhibits.

15.11. Time of Essence. Time is expressly made of the essence of this Agreement and each and every provision hereof of which time of performance is a factor.

15.12. Dispute Resolution.

15.12.1. In the event the parties, hereto are unable to resolve any and all disputes in connections, with this Agreement, either party may commence arbitration by sending a written demand for arbitration to the other party, setting forth the nature of the matter to be resolved by arbitration. Except as may be expressly provided to the contrary herein, the arbitration procedure described n this Section shall be the sole means of resolving any disputes hereunder.

15.12.2. There shall be one arbitrator; who shall be mutually selected by the parties and who must be knowledgeable of the independent practice association and management services organization industry. If the parties shall fail to select a mutually acceptable arbitrator within ten (10) days after the demand for arbitration is mailed, then the parties stipulate to arbitration before a retired judge sitting on the Los Angeles Judicial Arbitration, Mutilation Services (JAMS) panel who is knowledgeable of the independent practice association and management services organization industry.

15.12.3. The parties shall share all costs of arbitration. The prevailing party shall be entitled to reimbursement by the other party of such party's attorneys' fees and costs and any arbitration fees and expenses incurred in connection with the arbitration hereunder.

15.12.4. The substantive law of the State of California shall be applied by the arbitrator. The parties shall have the rights of discovery as provided for in Part 4 of the California Code of Civil Procedure. The California Code of Evidence shall apply to testimony and documents submitted to the arbitrator.

15.12.5. Arbitration shall take place in Los Angeles, California

unless the parties otherwise agree. As soon as reasonably practicable, a hearing with respect to the dispute or matter to be resolved shall be conducted by the arbitrator. As soon as reasonably practicable thereafter, the arbitrator shall arrive at a final decision, which shall be reduced to writing, signed by the arbitrator and mailed to each of the parties and their legal counsel.

15.12.6. All decisions of the arbitrator shall be final, binding and conclusive on the parties and shall constitute the only method of resolving disputes or matters subject to arbitration pursuant to this Agreement. The arbitrator or a court of appropriate jurisdiction may issue a writ of execution to enforce the arbitrator's judgment. Judgment

may be entered upon such a decision in accordance with applicable law in any court having jurisdiction thereof.

15.12.7. Notwithstanding the foregoing, because time is of the essence of this Agreement, the parties specifically reserve the right to seek a judicial temporary restraining order, preliminary injunction, or other similar short term equitable relief, and grant ,the arbitrator the right to make a final determination of the parties' rights, including whether to make permanent or dissolve such court order.

15.12.8. Notwithstanding the foregoing, any and all arbitration proceedings are conditional upon such proceedings being covered under the parties' respective risk, insurance policies.

15.13. Attorneys' Fees. Should either party institute any action or procedure to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or of any provision hereof, or for a declaration of rights hereunder (including, without limitation, arbitration), the prevailing party in any such action or proceeding shall be entitled to receive from the other party all costs and expensed, including without limitation reasonable attorneys' fees, incurred by the prevailing party in connection with such action or proceeding.

15.14. Further Assurances. The parties shall take such actions and execute and deliver such further documentation as may reasonably be required in order to give effect to the transactions contemplated by this Agreement and the intentions of the parties hereto.)

15.15. Rights Cumulative. The various rights and remedies herein grated to Manager or IPA shall be cumulative and in addition to any other rights Manager or IPA, respectively, may be entitled to under law. The exercise of one or more rights or remedies shall not impair the right of Manager or IPA to exercise any other right or remedy, at law or equity.

15.16. Federal Social Security Requirements. Pursuant to Section 1395x (V) (1) (I) of Title 42 of the United States Code, with respect to any services furnished under the terms of this Agreement if the value or cost of which is Ten Thousand Dollars ($10,000) or more over a twelve (12) month period, until the expiration of four (4) years after the termination of this Agreement, Manager shall make available upon written request to the Secretary of the United States Department of Health and Human Services, or upon request by the Comptroller General of the United States General Accounting office, or any of their

duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by Manager under this Agreement.

Manager further agrees that in the event Manager carries out any of its duties under this Agreement through a subcontract, with a value or cost of Ten Thousand Dollars ($10,000) more over a twelve (12) month period, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request to the Secretary of the United States Department of Health and Human Services, or upon request to the Comptroller General of the United States General Accounting office, or any of their duly authorized representatives, the subcontract and such books,, documents and records of such organization as are necessary to verify the nature and extent of such costs.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MANAGER IPA

BY. _____ BY: _____

Its: _____ BY: _____

LIST OF EXHIBITS AND SCHEDULES

Exhibits

A - Master Lease

B - Furniture Fixtures & Equipment

C - Manager's Performance Standards

D - Power of Agency

E - Management Fee

F - Security Agreement

G - Assignable Option Agreement

EXHIBIT "A"

MASTER LEASE

EXHIBIT "B"

FURNITURE, FIXTURES & EQUIPMENT

EXHIBIT "C"

MANANAGER'S PERFORMANCE STANDARDS

EXHIBIT "D"

MANAGEMENT FEE

EXHIBIT "D"

MANAGEMENT FEE.

Compensation to Manager for IPA enrollment of (O to 20,000 enrollees) Manager shall receive 160 (sixteen percent) of total capitation received by IPA. Manager will receive 50% (fifty percent) of IPA's share of the hospital risk pool (with HMO or hospital). Manager will receive 50% (fifty percent) of IPA's share of the specialty risk pool.

Compensation to Manager for IPA enrollment of 20,000 - 3,0000 enrollees) Manager shall receive 15% (fifteen percent) of total capitation received by IPA. Manger will receive 50% (fifty percent) of IPA's share of the hospital risk pool (with HMO or hospital). Manager will receive 50% (fifty-percent) of IPA's share of the specialty risk pool.

Compensation to Manager for IPA enrollment of 30,000 - 40,000 enrollees) Manager shall receive 14% (fourteen percent) of total capitation received by IPA. Manger will receive 50% (fifty percent) of IPA's share of the hospital risk pool (with HMO or hospital). Manager will receive 50% (fifty percent) of IPA's share of the specialty risk pool.

Compensation to Manager for IPA enrollment of (more than 40,000 enrollees) Manager shall receive 12% (twelve percent) of total capitation received by IPA. Manager will receive 50% (fifty percent) of IPA's share of the hospital risk pool (with HMO or hospital). Manager will receive 50% (fifty percent) of IPA's share of the specialty risk pool.

Note: Percentage of IPA's share of hospital risk-pool is excess after all financial obligations are met.

EXHIBIT "E"

SECURITY AGREEMENT

EXHIBIT "E"

SECURITY AGREEMENT

This Security Agreement ("Agreement"), dated as of 30th Nov, 1995, is made by and between LatinoCare Management Corporation, Inc., a California corporation ("Manager") and LatinoCare Network Medical Group, Inc., a California professional corporation ("IPA").

RECITALS

A. WHEREAS, pursuant to an Agreement (the "Agreement"), of even date herewith, between IPA and Manager, IPA pledged all of its rights in the accounts receivable and proceeds there from to Manager to secure payment of management fees accrued and owing Manager thereunder;

WHEREAS, the IPA is obligated as a condition to Manager's performance to execute and deliver this Security Agreement;

NOW, THEREFORE, in consideration of they, foregoing promises and the mutual covenants and conditions herein, the parties hereby agree as follows:

1. Grant of Security. As assurance and security for prompt and complete payment by the IPA of advances, management fees or other financial obligations and the continued performance of Manager under the Agreement, IPA hereby grants to Manager a security interest in all present and future right, (title and interest of IPA in or to any and all present and future accounts receivable and all moneys, securities, drafts, notes, and items of IPA proceeds therefrom, together with all substitutions and Replacements for and products of any of the foregoing property and together with all proceeds of insurance, sale, lease or other disposition of any and all of the foregoing property (the "Collateral").

2. Indebtedness. The Collateral secures and will secure all indebtedness owed by IPA's to Manager under the Agreement and any other document or instrument relating thereto (all such documents shall be referred to herein as "Documents"

3. Representations, Warranties and Covenants. IPA hereby represents, warrants and covenants that:

(a) All of the Collateral of the IPA pledged, to Manager are and will be validly created obligations of each of

the obligors who incurred same for services actually rendered in the ordinary course of business;

(b) The Collateral is not subject to any lien, pledge, charge, encumbrance or security interest or right or option on the part of any third person;

(c) IPA will properly maintain and care for the Collateral, not cause or permit any waste or confiscation of the Collateral, and pay all taxes, assessments and loins now or hereafter imposed on the Collateral;

(d) IPA will promptly notify the Manager in writing prior to any change in IPA's places of business, or if IPA has or acquires additional places of business.

(e) IPA will immediately notify Manager of any proposed or actual change of IPA's name, identity or corporate structure and if IPA decides to conduct business under any other name or through any other entity other than those set forth in the Agreement;

(f) IPA will not sell, contract for sale or, otherwise dispose of any of he Collateral except with Manager's prior written consent;

(g) IPA will comply with all local, state and federal laws and regulations applicable to its business, and IPA shall notify Manager immediately in detail of any actual or alleged breach, violation, default or failure to comply with or perform under any such laws or regulations, or of the occurrence or existence of any facts) or circumstances which, with the passage of time or the giving of notice or both, could create a breach, violation, default or failure;

(h) IPA (shall perform and comply with all of the provisions of the Agreement executed of even date herewith;

(i) IPA will promptly notify Manager in writing of any event which affects the value of the Collateral, the ability of IPA or Manager to dispose of the Collateral, or the rights and remedies of the Manager in relationship thereto, including, but not limited to, the levy of any legal process against the collateral and the adoption of any order, arrangement or procedure affecting the Collateral, whether governmental or otherwise;

(j) The security interest granted to Manager on the date hereof is and shall at all times remain first in priority, not subject to any other security interest, and IPA shall not

encumber the Collateral or any part thereof without the prior written consent of The Manager.

4. Additional Covenants. IPA hereby agrees that Manager may at any time at its option, whether or not IPA is in default, do any one or more of the following, and IPA hereby agrees to promptly comply therewith:

(a) Require IPA to segregate all collections and proceeds of the Collateral so that they are capable of identification;

(b) Require IPA to periodically deliver to the manager records and

schedules (in such form as deemed satisfactory to the Manager) which show the status and condition of the Collateral, where it is located and such contracts or other maters which affect the Collateral,;

(c) Verify the Collateral and inspect the books and records of IPA and make copies thereof or extracts therefrom;

(d) Require IPA to deliver to the Manager any receivables evidenced by instruments or chattel paper;

(e) Require IPA to obtain the Manager's prior written consent to any sale, contract of sale or other disposition of the Collateral;

(f) Not any account debtors, any buyers of the Collateral or any other persons of the Manager's interest in the Collateral and the proceeds thereof;

(g) Require IPA to direct all account debtors to forward all remittances, payments and proceeds of the Collateral to a post office box under Manager's exclusive control;

(h) Demand and collect any receivables and any proceeds of the Collateral. In connection therewith, IPA irrevocably authorizes the Manger to endorse or sign IPA's name on all collections, receipts or other documents, take possession of and open the mail addressed to IPA and remove therefrom payments of receivables and proceeds of the Collateral.

5. Rights of Manager. Manager shall have, with respect to the Collateral, the rights and obligations of a secured party under the Uniform Commercial Code as adopted in California. III No renewal or extension of the Agreement, no release or surrender of any Collateral given as security in connection therewith, and no delay in enforcement thereof or in exercising any right or power with respect thereto or hereunder shall

affect the rights of Manager with respect to the collateral or any part thereof.

6. Defaults. Any one or more of the following shall be a default hereunder:

(a) IPA s all fail to pay any indebtedness owed to the Manager when due;

(b) IPA shall breach any term, provision, warranty or representation under this Agreement, the Agreement or, under any other agreement or contract between IPA and Manager, or obligation of IPA to the Manager;

(c) If any warranty, representation, statement, report or profit and loss Certificate furnished by IPA to the Manager proves false or incorrect in any material respect; or

(d) A default under any other Document shall have occurred.

(e) (i) The commencement of an involuntary case with the filing of a petition against IPA seeking reorganization or liquidation under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law; or the commencement of an action seeking the appointment of a receiver, trustee or other similar official for IPA or for any substantial part of IPA's property and such involuntary case, petition or action is not being actively contested and is not dismissed within sixty (60) days after the filing thereof;

(ii) The commencement of a voluntary case or the filing of a petition by IPA seeking reorganization or liquidation under any applicable federal or state bankruptcy, insolvency or other similar law;

(iii) The Assignment by IPA for the benefit of creditors;

(iv) he failure of IPA to pay its debt generally as they become due or the omission by it in writing of its inability to pay its debts generally as they become due; or

(v) the taking of any corporate action by IPA or its Board of Directors or any committee thereof for the purpose of causing any of the foregoing to occur.

7. Remedies. In the event of any default hereunder, the Manager (in its sole) discretion), may do any one or more of the following:

(a) Declare any indebtedness secured hereby immediately due and payable;

(b) Enforce the security interest give hereunder pursuant to the California Uniform Commercial Code or any other law;

(c) Require IPA to assemble the Collateral and the records pertaining to the Collateral and make them available to the Manager at a placed sign dated by Manager;

(d) Enter the premises of IPA or the Real Property, as applicable, take possession of the Collateral and of the records pertaining to the Collateral;

(e) Grant extensions, compromise claims arid sell the Collateral for less than face value;

(f) Use, in connection with any assembly or disposition of the Collateral, ally fictitious business name, trademark, trade name, trade style, copyright, patent right or technical process used or utilized by IPA in connection therewith;

(g) Proceed in the foreclosure of Managers security interest and sale of the Collateral in any manner permitted by law or this Agreement;

(h) Retain the Collateral in full satisfaction of the obligations secured hereby; or

(i) Sell, assign or deliver as much of the Collateral as is reasonably necessary to repay the defaulted indebtedness (together with expenses attendant upon such sale and repayment), at public or private sale, as Manager may elect, either for cash or on credit, without assumption of any credit risk and without demand or advertisement (unless otherwise required by law).

At any such private or public sale of the Collateral or part thereof, Manager may purchase and pay for the same by cancellation of the obligations of IPA under the Agreement, equal to the purchase price and free of any right of redemption on the part of IPA. Manager agrees, however, that IPA shall have all rights, including rights of notice, provided by the Uniform Commercial Code as adopted in California. In any case where notice is required, five days notice shall be deemed reasonable notice. In the event of any sale hereunder, Manager shall apply

the proceeds in the order set forth below. Manager may have resort to the Collateral or any portion thereof with no requirements on the part of Manager to proceed first against any other person or property.

Proceeds from the sale of the Collateral or any part thereof shall be applied by Manager in the following order:

(i) the payment of the costs and expenses of collection incurred by Manager, including, without limitation, attorneys' fees and all other reasonable expenses, liabilities and costs incurred by Manager in connection therewith;

(ii) To the payment of the whole amount then owing and unpaid for advances and/or management fees;

(iii) To the payment in full of all other obligations of IPA under the Agreement; and

(iv) To the payment to IPA of any surplus then remaining from such proceeds.

8. Miscellaneous.

(a) Any waiver, expressed or implied, of any provision hereunder and any delay or failure by Manager to enforce any provision shall not preclude Manager from enforcing any such provision thereafter.

(b) IPA shall, at the request of Manager, execute such other agreements, documents or instruments in connection with this Agreement as Manager may reasonably deem necessary, including but not limited to financing statements and continuation statements to evidence the security interest granted hereby.

(c) This Agreement shall be governed by and construed according to the laws

of the State of California.

(d) All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any of the right or remedy.

(e) All terms not defined herein are used as set forth in the California Uniform Commercial Code.

(f) In the event of any action by the Manager to enforce this Agreement or to protect the security interest of the Manager in the Collateral, IPA agrees to pay the costs thereof, including reasonable attorneys fees and other expenses.

(g) If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall no way be affected, impaired invalidated.

(h) Upon the termination of the Agreement and payment in full of the accrued management fees thereunder, and will deliver to IPA any part of the Collateral delivered to Manager and held by Manager hereunder.

(i) This Agreement shall not be released, (discharged, changed or modified in any manner, except by an instrument signed by a duly authorized, officer or representative of both IPA and Manager. No oral explanation or oral information by either of the parties hereto shall alter the meaning or interpretation of this Agreement.

(j) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns.

9. Notices.

Any notice to be given pursuant to this Agreement shall be deemed effectively the same day when such notice is given personally, or by telephone, telegram, or electronic transmission to the President of the party to whom notice is being given. Notice by mail shall be deemed effective three days after deposit in the United State mail, and properly addressed with postage prepaid.

Notices to IPA shall be given at:

Latino Care Network Medical Group, Inc.
8635 E. Florence Ave., Suite 207
Downey, CA 90240
Attention: Roberto Chiprut, M.D.

with a copy to: Cooper, Margolin & Biatch
1970 Broadway, Suite 940
Oakland, California 94612
Attention: Eric P. Gold, Esq.

Notices to Manager shall be given at:

LatinoCare Management Corporation
8635 E. Florence Ave., Suite 207
Downey, CA 90240
Attention: Jose J. Gonzalez

with copies to: Miller & Holguin
1801 Century Park East, 7th Floor
Los Angeles, California 90067
Attention: Dale S. Miller, Esq.

Cedars Sinai Medical Center
8700 Beverly Blvd.
Los Angeles, California 90048
Attention: Joseph C. Luevanos

IN WITNESS WHEREOF, IPA and Manager have caused this Agreement to be duly executed as of the date set forth above.

MANAGER

By: _____ By:_____

Its:_____ Its:_____

EXHIBIT "F"

ASSIGNABLE OPTION AGREEMENT

EXHIBIT "F"

ASSIGNABLE OPTION AGREEMENT

THIS ASSIGNABLE OPTION AGREEMENT ("Agreement") is made as of this 30th day of November, 1995 by and between LATINOCARE MANAGEMENT CORPORATION ("Manager"), a California corporation, LATINOCARE NETWORK MEDICAL GROUP, INC., a California professional corporation ("IPA"), together with Roberto Chiprut, M.D., IPA's sole shareholder (hereinafter referred to as "Shareholder") with reference to the following facts:

RECITALS

A. IPA is a professional corporation that is organized and operated as an independent practice association (the "Practice"), and Shareholder owns, all of the issued and outstanding common shares of IPA (the "Shares").

B. IPA has entered into a Management Agreement (the "Management Agreement") of even date herewith, with Manager pursuant to which Manager has been engaged by IPA to provide a full scope of management, administrative, clerical and billing, claims pursuant and collection, cash flow management and marketing services.

C. Manager, directly and through its affiliates, will commit substantial resources and incur substantial expenses, and Manager has considerable experience and expertise to provide the management services required pursuant to the Management Agreement, all of which are anticipated to improve the quality of services and efficiency of the Practice.

D. IPA and Manager desire to provide for the orderly, preplanned disposition of the IPA upon the occurrence of certain events. As such, IPA desires to grant to Manager, and Manager desires to acquire from IPA, (i) an assignable option to purchase all of the assets of IPA, and (ii) the right to designate the purchaser ("Successor Physician") of all or part of the ,issued and outstanding shares in IPA. When used in this Agreement, the term "Assets" shall mean fall of IPA's and Shareholder's right, title, interest and estate 1in and to all the assets of every kind and description used in or pertaining to the Practice, including but not limited to the assets set forth on Exhibit A. When used in this Agreement, the term "Shares" shall mean all of Shareholder's right, title, interest and estate in and to all of issued and outstanding stock in IPA's Corporation, including any rights to any additional shares, preemptive rights, warrants, and the like, as set forth on Exhibit B.

NOW, THEREFORE, in consideration of the foregoing promises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, IPA, Shareholder, and Manager agree as follows:

1. Grant of Option.

1.1 IPA hereby grants to Manager an assignable option to purchase all or any part of the Assets (the "Assets Option"), on the terms and subject to the conditions get forth in this Agreement.

1.2 IPA and Shareholder hereby grant to Manager the assignable right to

designate a Successor Physician or Successor Physicians, which person or persons must be duly licensed physicians in the State of California or otherwise permitted by law, to be a shareholder in a professional association, to purchase all or part of the Shares (the "Shares Option"), on the terms and subject to the conditions set forth herein. In its sole discretion, Manager may designate which Shareholder's Shares is to be purchased. The Assets Option and the Shares Option are collectively the "Option."

1.3 IPA and Shareholder represent and warrant that as of the day-and year first above written and during the term of this Agreement, Exhibits A and B are true and complete listings of the Assets and Shares, as revised from time to time pursuant to this Agreement.

1.4 IPA shall hot recognize any share transfer or other action not in compliance with the terms of this Agreement.

2. Term of Agreement. The term of this Agreement (the "Term") shall commence on the date hereof and shall expire on the thirtieth (30th) annual anniversary hereof unless earlier terminated as provided below. The term of this Agreement shall be automatically extended for additional terms of ten (10) years each, unless Manager delivers to IPA, not less then twelve (12) months nor earlier than fifteen (15) months prior to the expiration of the preceding term, written notice of Manager's intention not to extend the term of this Agreement.

3. Option Price. The purchase price for the option (the "Option Price is five hundred Dollars ($500.00) and IPA and Shareholder acknowledge receipt of such payment.

4. Exercise of Option.

4.1 During the Term of this Agreement, Manager may elect to exercise the option only to the extent that IPA or a Shareholder attempts to sell or transfer the Assets and/or his or her Shares. In the event of any such attempt to sell or transfer the Assets or Shares, Manager may exercise either the Assets Option or the Shares option, or both, in its sole discretion.

4.2 Notwithstanding the provisions of Section 4.1, if IPA or Shareholder violates any of the terms of this Agreement or any other agreement between IPA and Manager, the limitation with respect to Manager's, right to exercise the Option immediately terminates and Manager may exercise either the Assets Option or the Shares Option, or both, at any time.

4.3 Notwithstanding the provisions of Section 4.1, if IPA or a Shareholder dies or becomes permanently disabled during the Term of this Agreement, the limitation with respect to Manager's right to exercise the Option immediately terminates and Manager may exercise either the Assets Option or the Shares Option, or both, at any time. For purposes of this Agreement, the term "permanent disability" means any illness, injury, disease or condition, whether mental or physical, which, for a continuous period of thirty (30) days, (a) prevents IPA or a Shareholder from performing his or her duties as a shareholder, director, officer and/or employee of IPA or! (b) substantially impairs IPA's or a Shareholder's ability to practice medicine or to perform his or her obligations under the Participating Provider Agreement with IPA.

4.4 To the extent that the Assets Option is exercised by Manager, Manager will send IPA a written notice (the "Assets Exercise Notice") specifying the Assets to be purchased. Upon exercise of the Assets Option as to the purchase of any, or all of the Assets, IPA and Manager shall be deemed to have entered into, respectively, a purchase and sale agreement, covering the Assets specified in the Exercise Notice. Manager may exercise the Assets Option as many times s Manager elects in its sole discretion.

4.5 To the extent that the Shares Option is exercised by Manager, Manager will send IPA a written notice (the "Shares Exercise Notice") specifying the Shares to be purchased. Upon exercise of the Shares Option as to the purchase of any or all of the Shares, IPA and Manager shall be deemed to have entered into, respectively, a purchase and sale agreement, covering the Shares specified in the Exercise Notice. Manager may designate

the Successor Physician(s), who will exercise the Shares Option as many times as Manager elects in its sole discretion.

4.6 The Assets Option and the Shares Option are independent of each other, and can be exercised at different times during the Option Term.

4.7 Manager may cancel any Exercise Notice at any time.

4.8 IPA and Shareholder shall cooperate with Manager in any due diligence.

5. Assignment of the Option. Manager may elect to assign either or both the Assets Option and/or the Shares Option to any person, by a written assignment, signed by both Manager and the assignee, which designates the, Assets or Shares. Thereafter, only the assignee named in the assignment shall have the right to exercise the applicable Assets Option and/or the Shares Option as to the designated Assets and/or Shares, and that assignee, rather than Manager, shall enter and/or the purchase agreement upon exercise of the Assets Option and/or the Shares Option, as applicable. When the context so requires in this Agreement, the term "Manager" shall be deemed to refer too an assignee holding an assignment of the option with respect to those Assets, and the terms "party" and "parties" shall be deemed to include that assignee.

6. Purchase Price of the Assets or Shares.

6.1 Purchase Price.

a. Assets Purchase Price. The Assets Purchase Price for the Assets shall be base, on the fair market value established by an appraisal completed by an independent third party selected by Manager. In calculating the fair market value of the Assets the appraiser will be required to assign a value to the expected future profitability of the IPA. The purchase price of any partial purchase of the Assets shall be a pro-rata percentage of the full Assets Purchase Price;

b. Shares Purchase Price. The Shares Purchase Price shall be based on the fair market value established by an appraisal completed by an independent third party selected by Manager. The purchase price of less than all of the issued and outstanding Shares is a pro-rata percentage of the full Shares Purchase Price.

6.2 Payment. For the Assets, Manager shall pay IPA the applicable Purchase Price at Closing in the form of immediately available funds transferred by wire to an account at a financial

institution designated by IPA. For the Shares, Manager shall cause the Successor Physician to pay the respective Shareholder.

6.3 Closing. The transactions contemplated by this Agreement are to close forty-five (45) days after the date of any Exercise Notice ("Closing"), unless extended by Manager.

7. Additional Obligations of IPA.

7.1 Affirmative, Covenants. To the extent that IPA and Shareholder participate in the Practice and own, control, or use the Assets, IPA and Shareholder shall:

a. Conduct of Practice. Conduct IPA's business efficiently and without voluntary interruption and preserve all rights, privileges, and franchises held by IPA and IPA's Practice, including the maintenance of all contracts, copyrights, trademarks, licenses, registrations, etc.;

b. Use. Make use of the Assets with reasonable care to prevent diminution in value of the Practice and the Assets, and keep the Assets in good repair;

c. Value. Perform all acts necessary to maintain, preserve, and protect the Assets, and maintain fire and extended coverage insurance on the Assets in the amounts and under policies acceptable to Manager, and to provide Manager with the original policies and certificates at Manager's request;

d. Financing Statements. Execute and deliver to Manager all financing statements and other documents that Manager requests, in order to put third parties on notice of this Agreement;

e. Access. Permit Manager, its representatives, and its agents to inspect the Assets at any time, and to make copies of records pertaining to it, at reasonable times at Manager's request;

f. Reports. Furnish Manager the reports relating to the Assets at Manager's request;

g. Defaults. Notify Manager promptly in writing of any default, potential default, or any development that might have a material adverse effect on the Assets, the shares, or the practice, or of any litigation that may have a material adverse effect on the Practice;

h. Expenses. Pay all expenses, including attorneys' fees, incurred by Manager in the perfection, preservation, realization, enforcement, and exercise of its rights under this

Agreement, including but not limited to accounting, correspondence, collection effort, filing, recording, and record keeping;

i. Indemnity. Indemnify Manager against loss of any kind, including reasonable attorneys' fees, caused to Manager by reason of its interest in the Assets and/or the Shares;

j. Taxes. Pay promptly when due all taxes and assessments owed in connection with the Assets and the Shares; and

k. Delivery of Certificates. Deliver to Manager all certificates heretofore issued representing all of the shares of IPA's capital shares held of record or beneficially owned by each and every Shareholder, and each certificate hereafter issued representing any share of IPA's capital shares, with each certificate endorsed in blank for transfer. Each such certificate shall have affixed Into the back of the certificate a legend substantially as follows:

The rights of any holder of any share evidenced by this certificate, including the right to dispose of the securities represented by this certificate or any interest therein, are subject to and restricted by a certain Assignable Option Agreement, dated October ,1995, among the issuer, all the issuers shareholders, and The issuer will mail without charge to any holder of these shares a copy of such agreement within five (5) days of receipt by the issuer of a written request therefore.

7.2 Negative Covenants. Without the prior written consent of Manager, IPA and Shareholder shall not:

a. Transfer. Sell, lease, transfer, or otherwise dispose of the Assets and Share;

b. Debt. Incur, guarantee, assume or otherwise become liable for any borrowing or increase any existing indebtedness; or discharge or cancel any debt owed to IPA;

c. No Further Hypothecation. Pledge, hypothecate, encumber, redeem or dispose of the Assets, the Shares, or any interest therein until all of IPA's obligations under this Agreement has been fully satisfied or the _____ or the Shares has been released;

d. Location. Move the Assets from their present locations without the prior written consent of Manager;

e. Use. Use the Assets or the Shares for any unlawful purpose or in any way that would void any effective insurance;

f. Name and Location Chances. Change the name or place of business or use a Fictitious business name without the prior express consent of Manager; and

g. Issuance of Shares; Change in Ownership; Mergers and Consolidation. Permit any issuance of Shares, other equity, or debt; permit any change in the composition or respective percentage ownership of IPA; permit IPA to be merged, consolidated or otherwise reorganized with or into any other association, corporation, partnership, trade, business, or the like; amend or otherwise modify its articles of association and bylaws; dissolve; or enter into any agreement with any person to do any of the foregoing.

8. Confidentiality. The parties shall use all good faith efforts to keep the contents of this Agreement and all other aspects of the negotiations preceding execution of this Agreement confidential. unless required by law, IPA, Shareholder, and Manager shall not disclose the content of this Agreement or the negotiations leading to this Agreement to third parties without the prior written consent of the other party. Manager shall ensure that all of the assignees likewise comply with the obligations of confidentiality imposed by this Section, except that Manager and the assignees may disclose the contents of such to their respective agents, representatives, contractors, and employees to the extent necessary to exercise their respective rights or perform their respective obligations hereunder.

9. General.

9.1 Compliance with Law. IPA and each Shareholder shall comply with all applicable requirements of the California Board of Medical Examiners, California Medical Association, American Medical Association, the Medicare and Medicaid programs, applicable state law and regulations, and other licensing and accreditation authorities.

9.2 Relationship of Parties. In the exercise of their respective and the performance of their respective obligations under this Agreement IPA and Shareholder on the one hand and Manager (or any assignee) on the other hand are acting in the capacity of the grantor and grantee of an option to purchase all or a portion of the Assets and/or Shares, and nothing in this Agreement is intended in or shall be construed to create between the parties an employer/ employee relationship, a partnership or joint venture relationship or a landlord/tenant relationship.

9.3 Assignment. Notwithstanding any other provision of this Agreement, neither this Agreement nor the rights and duties of this Agreement may be assigned or delegated by IPA or Shareholder. This Agreement binds the successors, heirs, and authorized assignees of the parties.

9.4 Entire Agreement. Except as expressly provided in this Agreement to the contrary, this Agreement, including its incorporated exhibits constitutes the entire agreement between the parties with respect to the Option, and supersedes all other and prior agreements on t e same subject, whether written or oral, and contains all of the covenants and agreements between the parties with respect to the subject matter hereof. Except as expressly provided in this Agreement to the contrary, each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any other party hereto, or by anyone acting on behalf of any party hereto; that are not embodied herein, and that no agreement, statement, or promise not contained in this Agreement shall be valid or binding.

9.5 Counterparts. This Agreement, and any amendments thereto, may be executed in counterparts, each of which shall constitute an original document, but which together shall constitute one and the same instrument.

9.6 Headings. The section headings contained in this Agreement are insert for convenience only and shall not affect in any way the meaning r interpretation of this Agreement.

9.7 Notices. Any notices required or permitted to be given hereunder by any party to another shall be in writing and shall be deemed delivered upon personal delivery, twenty-four (24) hours following deposit wit a courier for overnight delivery or seventy two (72) hours following deposit in the U.S. Mail, registered or certified mail, postage prepaid, return-receipt requested, addressed to the parties at the following addresses or to such other addresses as the parties may specify in writing:

Notices to IPA shall be given at:

LatinoCare Network Medical Group, Inc.
8635 Florence Ave., Suite 207
Downey, CA 90240
Attention: Roberto Chiprut, M.D.

with a copy to: Cooper, Margolin & Biatch
1970 Broadway, Suite 940
Oakland, California 94612
Attention: Eric P. Gold, Esq.

Notices to Manager shall be given at:

LatinoCare Management Corporation
8635 : Florence Ave., Suite 207
Downey, CA 90240
Attention: Jose J. Gonzalez

with copies to: Miller & Holguin
1801 Century Park East, 7th Floor
Los Angeles, California 90067
Attention: Dale S. Miller, Esq.

Cedars Sinai Medical Center
8700 Beverly Blvd.
Los Angeles, California 90048
Attention: Joseph C. Luevanos

9.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9.9 Amendment. This Agreement may be amended at any time by agreement of the parties, provided that any amendment shall be in writing and executed by both parties.

9.10 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions will nevertheless continue in full force a d effect, unless such invalidity or unenforceability would defeat an essential business purpose of this Agreement.

9.11 Fees and Expenses. IPA, Shareholder, and manager each shall bear their own expenses, including, without limitation, attorneys' and accountants' fees, incurred in connection with the preparation of this Agreement and the transactions contemplated hereby.

9.12 Exhibits and Schedules. All attachments and schedules attached to this agreement are incorporated herein by this reference and all references herein to "Agreement" shall mean this Agreement together with all such exhibits and schedules.

9.13 Time of Essence. Time is expressly made of the essence of this Agreement an each and every provision hereof of which time of performance is a actor.

9.14 Dispute Revolution. In the event the parties hereto are unable to resolve any dispute in connection with this Agreement, the parties may mutually agree to arbitrate as set forth below.

a. There shall be one arbitrator. If the parties shall fail to select a mutual acceptable arbitrator within ten (10) days after the demand for arbitration is mailed, then the parties stipulate to arbitration before a retired judge sitting on the Los Angeles, California, Judicial Arbitration Mediation Services (JAMS) panel.

b: The substantive law of the State of California shall be applied by the arbitrator.

c. Arbitration shall take place in Los Angeles, California, unless IPA and a majority of the other parties otherwise agree. As soon as reasonably practicable, a hearing with respect to the dispute or matter to be resolved shall be conducted by the arbitrator. As soon as reasonably practicable thereafter, the arbitrator shall arrive at a final decision, which shall be reduced to writing, signed y the arbitrator and mailed to each of the parties and their legal counsel.

d. All decisions of the arbitrator shall be final, binding and conclusive on the parties and shall constitute the only method of resolving disputes or matters subject to arbitration pursuant to this Agreement. The arbitrator or a court of appropriate jurisdiction may issue a writ of execution to enforce the arbitrator's judgment. Judgment may be entered upon such a decision in accordance with applicable law in any court having jurisdiction thereof

e. Notwithstanding the foregoing, because time is of the essence of this Agreement, the parties specifically reserve the right to seek a judicial temporary restraining order, preliminary injunction, or other similar short term equitable relief, and grant the arbitrator the right to make a final determination of the parties' rights, including whether to make permanent or dissolve such court order.

f. Notwithstanding the foregoing, any and all arbitration proceedings are conditional upon such proceedings being covered within the parties' respective risk insurance policies.

9.15 Attorneys' Fees. Should any of the parties hereto institute any action or procedure to enforce this Agreement or any provision hereof (including without limitation, arbitration), or for damages by reason of any alleged breach of this Agreement or of any provision hereof!,, or for a declaration of rights

hereunder (including, without limitation, by means of arbitration), the prevailing party in any such action or proceeding shall he entitled to receive from the other party all costs and expenses, including without limitation reasonable attorneys' fees, incurred by the prevailing party in connection with such action or proceeding.

9.16 Further Assurances. The parties shall take such actions and execute and deliver such further documentation as may reasonably-be required in order to give effect to the transactions contemplated by this Agreement and the intentions of the parties hereto.

9.17 Rights Cumulative. The various rights and remedies herein granted to the II respective parties hereto shall be cumulative and in addition to any other rights any such party may be entitled to under law. The exercise of one or more rights or remedies by a party shall not impair the right of such party to exercise any other right or remedies, at law or equity.

EVIDENCING their agreement on the above terms and conditions, IPA, Shareholder, and Manager execute this Agreement by their duly authorized representatives as set forth below.

"Manager"

LATINOCARE MANAGEMENT CORPORATION
California corporation

By:_____
_____President

"IPA"

LATINOCARE NETWORK MEDICAL GROUP, INC.,
a California professional corporation

By: _____
Its:_____

"Shareholder"

SPOUSAL JOINDER AND CONSENT

I am the spouse of Jose Gonzalez a Shareholder. To the extent that I own any of the Assets (as that term is defined in the Assignable Option Agreement), I hereby join in the Assignable Option Agreement and agree to be bound by its terms and conditions to the same extent as my spouse. I have read the Assignable Option Agreement, understand its terms and conditions, and to the extent that I have felt it necessary, I have retained independent legal counsel to advise me concerning the legal effect of this Assignable Option Agreement and this Spousal Joinder and Consent.

I understand and acknowledge that Manager is significantly relying on the validity and accuracy of this Spousal Joinder and Consent in entering into this Assignable Option Agreement.

Executed this 30th day of November, 1995.

Signature: _____
Printed or Typed Name : Maria D'Avila-Gonzalez

EXHIBIT B

SHARES

SECURED PROMISSORY NOTE

Dated: July ____, 2001

$1,750,000.00 **Long Beach, California**

FOR VALUE RECEIVED, and, in particular, in consideration of the surrender by Cedars Sinai Medical Center ("Holder") and the redemption by LatinoCare Management Corporation ("Maker") of all shareholdings of Holder in Maker, the undersigned, Maker, promises to pay to Holder, in lawful money of the United States, the principal sum of One Million Seven Hundred Fifty Thousand Dollars ($1,750,0,00.00), which sum shall bear interest at the rate of Six Percent (6%) per annum, as follows:

1. Five Hundred Thousand Dollars ($500,000) shall be paid on or before the expiration of one hundred twenty (120) days from the date of this Note;

2. Five Hundred Thousand Dollars ($500,000) shall be paid on or before the expiration of two hundred of forty (240) days from the date of this Note; and

3. Seven Hundred Fifty Thousand Dollars ($750,000) and all accrued but unpaid interest shall be paid on or before the expiration of three hundred sixty (360) days from the date of this Note.

This Note shall be secured by and Holder specifically agree that its sole recourse in the event of a breach hereunder by Maker shall be the repossession of that portion, if any, of its shareholdings in Maker, remaining after the same has been reduced pursuant to the following formula: (a) for the first Seven Hundred Fifty Thousand Dollars ($750,000) repaid by Maker, Holder's recourse shareholdings shall be reduced from twenty-eight percent (28%) of the issued and outstanding shares of Maker to not less than twenty percent (20%) of such issued and outstanding shares, or the portion thereof; and (b) for the next One Million Dollars repaid by Maker, Holder's recourse shareholdings shall be reduced from twenty percent (20%) of the issued and outstanding shares of Maker to zero percent (0%) of such issued and outstanding shares, or the portion thereof.

If this Note is not paid when due, Maker shall pay all costs of collection, including without limitation, reasonable attorneys' fees and costs, and all expenses in connection with the protection or realization of this Note, which fees, costs and expenses are incurred by the Holder hereof on account of such collection, whether or not suit is filed hereon. Such costs and expenses shall include, without limitation, all costs, attorney's fees and expenses incurred by the Holder hereof in connection with any insolvency, bankruptcy, reorganization, assignment for the benefit of creditors or other similar proceedings involving the undersigned or any maker, endorser, guarantor or surety hereof, which in anyway affect the exercise by the Holder hereof of **the Holder's rights** and remedies under this Note. Failure by the Holder to exercise the option of determining this Note to be due and payable or any other option to call the indebtedness for a specific default shall not constitute nor be deemed to be a waiver of the right to exercise the same in the event of any subsequent default.

This Note may be prepaid in whole or in any part.

Whenever possible , each provision of this Note will be interpreted in such manner as to be effective, valid and enforceable under applicable law. In case any provision of this Note is held to be prohibited by, or invalid or unenforceable under applicable law, the validity, legality and enforceability of the remailing provisions shall not in any way be affected or impaired thereby.

WITNESS the following signature as of the day and year first above written.

"Maker" LATINOCARE MANAGEMENT CORPORATION,

A California Corporation