Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Pacifica of the Valley Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996			(102,129)					
1997			(386,938)					
1998			(49,117)					
1999								
2000	140,226							
2001	296,238							
2002	357,794				4,357,040		5,515,751	
2003	62,724							
Assets	856,982	-	-	-	4,357,040	-	5,515,751	-
Offsets	-	-	(538,184)	-	-	-	-	-

Medicare Assets Total:	856,982	Medicaid Assets Total:	9,872,791	Assets: Grand Total	10,729,773
Medicare Offsets Total:	(538,184)	Medicaid Offsets Total:	-	Offsets: Grand Total	(538,184)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996			100.0%					
1997			100.0%					
1998			100.0%					
1999								
2000	50.0%							
2001	50.0%							
2002	80.0%				61.1%			
2003	80.0%						0.0%	

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-
1996	-	-	(102,129)	-	-	-	-	-
1997	-	-	(386,938)	-	-	-	-	-
1998	-	-	(49,117)	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	70,113	-	-	-	-	-	-	-
2001	148,119	-	-	-	-	-	-	-
2002	286,235	-	-	-	2,664,237	-	-	-
2003	50,179	-	-	-	-	-	-	-
Assets	554,646	-	-	-	2,664,237	-	-	-
Offsets	-	-	(538,184)	-	-	-	-	-

Subtotal: Medicare Assets	554,646	Subtotal: Medicaid Assets	2,664,237		
Subtotal: Medicare Offsets	(538,184)	Subtotal: Medicaid Offsets	-		
Medicare Liquidation Value	16,462	Medicaid Liquidation Value	2,664,237	Total Liquidation Value	2,680,700 [1]
Medicare Liabilities	-	Medicaid Liabilities	-	Total Liabilities	-
				High Unsecured Claim	-
				Low Unsecured Claim	-

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

PRELIMINARY

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Pine Grove Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999								
2000								
2001	22,071							
2002	(109,995)							
2003	(29,519)							
Assets	22,071	-	-	-	-	-	-	-
Offsets	(139,514)	-	-	-	-	-	-	-

Medicare Assets Total:	22,071	Medicaid Assets Total:	-	Assets: Grand Total	22,071
Medicare Offsets Total:	(139,514)	Medicaid Offsets Total:	-	Offsets: Grand Total	(139,514)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999								
2000								
2001	50.0%							
2002	100.0%							
2003	100.0%							

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	11,036	-	-	-	-	-	-	-
2002	(109,995)	-	-	-	-	-	-	-
2003	(29,519)	-	-	-	-	-	-	-
Assets	11,036	-	-	-	-	-	-	-
Offsets	(139,514)	-	-	-	-	-	-	-

Subtotal: Medicare Assets	11,036	Subtotal: Medicaid Assets	-			
Subtotal: Medicare Offsets	(139,514)	Subtotal: Medicaid Offsets	-			
Medicare Liquidation Value	-	Medicaid Liquidation Value	-	Total Liquidation Value	- [1]	
Medicare Liabilities	128,479	Medicaid Liabilities	-	Total Liabilities	128,479	
				High Unsecured Claim	128,459	
				Low Unsecured Claim	128,465	

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

PRELIMINARY

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Corporate
As of August 31, 2003

Brea Third Party Settlements

	Account	Receivable/Liability Booked at Sale	Amount Paid to Brea	Date Paid to Brea	Brea Paid to DCHC	Amount Due DCHC	Amount Yet to Be Collected	Current Est. of Receivable
Medicare								
	1051.004	101,268	49,105	12/4/2002		49,105	-	49,105
	1051.005	386,824	263,721	8/6/2002		263,721	-	463,600
			199,879	5/9/2003		199,879		
	1051.006	310,149	265,431	1/17/2003		265,431	53,767	319,198
	1051.007	354,916				-	224,076	224,076
Champus								
			1,754	1/21/2003		1,754		1,754
MediCal								
	1052.002	25,000	3,238	8/29/2002		3,238		20,306
			17,068	4/21/2003		17,068		
	1052.000	25,000				-	25,000	25,000
	1052.001	25,000				-	25,000	25,000
	1052.004	25,000	2,791	2/26/2003		2,791		2,791
	1052.005	12,719				-	12,719	12,719
	1052.006	-	183,678	7/31/2002	183678	-	25,000	(75,303)
			(100,303)	4/15/2003		(100,303)		
	1052.007	-				-	17,295	17,295
		1,265,876	886,362		183,678	702,684	382,857	1,085,541

Liquidation Factors

	Account	Current Est. of Receivable
Medicare		
	1051.004	0%
	1051.005	0%
	1051.006	0%
	1051.007	0%
Champus		0%
MediCal		
	1052.002	0%
	1052.000	0%
	1052.001	0%
	1052.004	0%
	1052.005	0%
	1052.006	0%
	1052.007	0%

Liquidation Value

	Account	Current Est. of Receivable
Medicare		
	1051.004	-
	1051.005	-
		-
	1051.006	-
	1051.007	-
Champus		-
		-
MediCal		-
	1052.002	-
		-
	1052.000	-
	1052.001	-
	1052.004	-
	1052.005	-
	1052.006	-
		-
	1052.007	-
		- [1]

It is assumed that, after the associated costs, these receivables are valued at $0.

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
CLAIMS ESTIMATES
EXHIBIT C
Updated for August 2003 MOR

Secured Claims

	Medline	HC REIT	Total
Greater Southeast			-
Hadley Memorial Hospital			-
Michael Reese Hospital	9,726,907		9,726,907
Pacifica of the Valley Hospital		18,797,000	18,797,000
Pine Grove Hospital			-
Corporate	4,000,000		4,000,000
Multiple locations	1,700,000		1,700,000
	15,426,907	18,797,000	34,223,907

Note: $1.7 million of pre-petition accounts payables for supplies is potentially secured under the terms of the contract with Medline.

Accrued Interest

	Medline	HC REIT	Total
Greater Southeast			-
Hadley Memorial Hospital			-
Michael Reese Hospital	315,258		315,258
Pacifica of the Valley Hospital		1,800,000	1,800,000
Pine Grove Hospital			-
Corporate	129,644		129,644
	444,901	1,800,000	2,244,901

NCFE Claims (Per 8/31/03 Balance Sheet)

Greater Southeast	71,899,700
Hadley Memorial Hospital	188,150,960
Michael Reese Hospital	98,234,636
Pacifica of the Valley Hospital	154,596,714
Pine Grove Hospital	4,573,813
Corporate	4,868,114
	522,323,937

Priority Claims (Per Statements & Schedules)

Greater Southeast	376,735
Hadley Memorial Hospital	21,455
Michael Reese Hospital	104,220
Pacifica of the Valley Hospital	266,209
Pine Grove Hospital	79,781
Corporate	36,265
	884,664

Tax Claims	Employer Payroll	Sales and Use	Personal Property	Chicago Head	Real Property	Business	Total
Greater Southeast	182,216	92,262	-	-	-	-	274,478
Hadley Memorial Hospital	52,029	-	55,470	-	-	-	107,499
Michael Reese Hospital	94,806	289,977	-	12,502	2,422,137	-	2,819,422
Pacifica of the Valley Hospital	86,725	44,508	13,554	-	657,133	44,155	846,075
Pine Grove Hospital	14,329	-	1,730	-	130,543	105,628	252,230
Corporate	4,120	-	-	-	-	-	4,120
	434,225	426,747	70,754	12,502	3,209,813	149,783	4,303,824

	Best Case	Worst Case	
Unsecured Claims			
Unsecured Creditors			
Trade payables	60,000,000	61,000,000	Per balance sheet 8/31/03.
Professional liability/malpractice claims	11,000,000	10,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Patient refunds	4,000,000	4,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Accrued payroll and benefits	1,000,000	2,000,000	Per balance sheet 8/31/03, less amounts included as priority claims.
Severance and settlements	4,000,000	4,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Miscellaneous other liabilities per May MOR	4,000,000	4,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Patient A/R Claims	44,274	44,273	See Exhibit A
Third Party Payors	245,338	454,810	See Exhibit B
Other			TBD
Total Unsecured Creditors	84,289,612	85,499,083	

Amounts listed are approximate.

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PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $14.5M to $16.9M over the 90 day period required to close Pacifica with WARN Act requirements

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2	Month 3 Closure	Month 4 30 days post closure	Month 5 60 days post closure	Months 6-15	Total Low Estimate	Total High Estimate
Revenue:									
Gross patient service revenue	$ 10,599,870	$ 3,117,609	$ 1,870,565	$ 623,522	$ -	$ -	$ -	$ 5,611,696	$ 5,611,696
Deductions from revenue	(5,605,527)	(1,648,684)	(1,130,084)	(376,695)	-	-	-	(3,155,463)	(3,155,463)
Other revenue	51,746	-	-	-	-	-	-	-	-
Total net revenue	5,046,090	1,468,925	740,482	246,827	-	-	-	2,456,233	2,456,233
Operating Expenses:									
Salaries and benefits	3,041,422	3,041,422	3,041,422	536,722	152,071	152,071	315,865	7,239,574	7,239,574
Supplies	1,408,291	414,203	248,522	82,841	-	-	-	745,566	745,566
Professional fees (Medical)	139,163	139,163	139,163	139,163	-	-	-	417,489	417,489
Provision for uncollectible accounts	304,512	338,361	170,567	56,856	-	-	-	565,784	565,784
Purchased services	373,122	242,529	83,953	41,976	-	-	-	368,458	368,458
Repairs and maintenance	51,071	51,071	51,071	51,071	12,768	12,768	-	178,749	178,749
Insurance	111,607	111,607	111,607	111,607	48,407	48,407	484,070	915,704	915,704
Utilities	64,624	64,624	64,624	64,624	48,468	48,468	129,249	420,059	420,059
Rents and Leases	63,597	63,597	63,597	63,597	63,597	63,597	-	317,986	317,986
Other	88,291	88,291	88,291	88,291	-	-	-	264,873	264,873
One Time Closure Expenses	-	-	-	-	-	-	5,550,000	5,550,000	7,950,000
Total operating expenses	5,645,702	4,554,870	4,062,817	1,236,747	325,311	325,311	6,479,184	16,984,241	19,384,241
EBITDA	$ (599,612)	$ (3,085,945)	$ (3,322,336)	$ (989,920)	$ (325,311)	$ (325,311)	$ (6,479,184)	**$ (14,528,008)**	**$ (16,928,008)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of base month 1, 15% of base month 2, 7.5% of base months 3
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice per WARN Act; month 3 based on volume relative to baseline with 25% lag relative to volume; months 4+5 address
Supplies	Estimated as % of net revenue
Professional fees (Medical)	Contracts closed during month 3, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 4+5
Insurance	Tail liability coverage included in one time closure expense;month 4-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 4+5) to support clean-up and storage activities; months 6-15 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$700,000-1,400,000	Estimated annual cost of $70,000 to $140,000 for medical records storage requirement based on DCHC current experience. 10 storage requirement.
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$1,000,000-2,000,000	Expense based on experience in similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (eg, asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$2,000,000-2,700,000	Assume a one-time cost for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $1.3 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Pacifica will occur over 90 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Ability to transfer remaining patients to alternate care providers
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Management ability to execute closure work plan

PRELIMINARY

Pacifica Hospital of the Valley:
Area Hospital Facilities

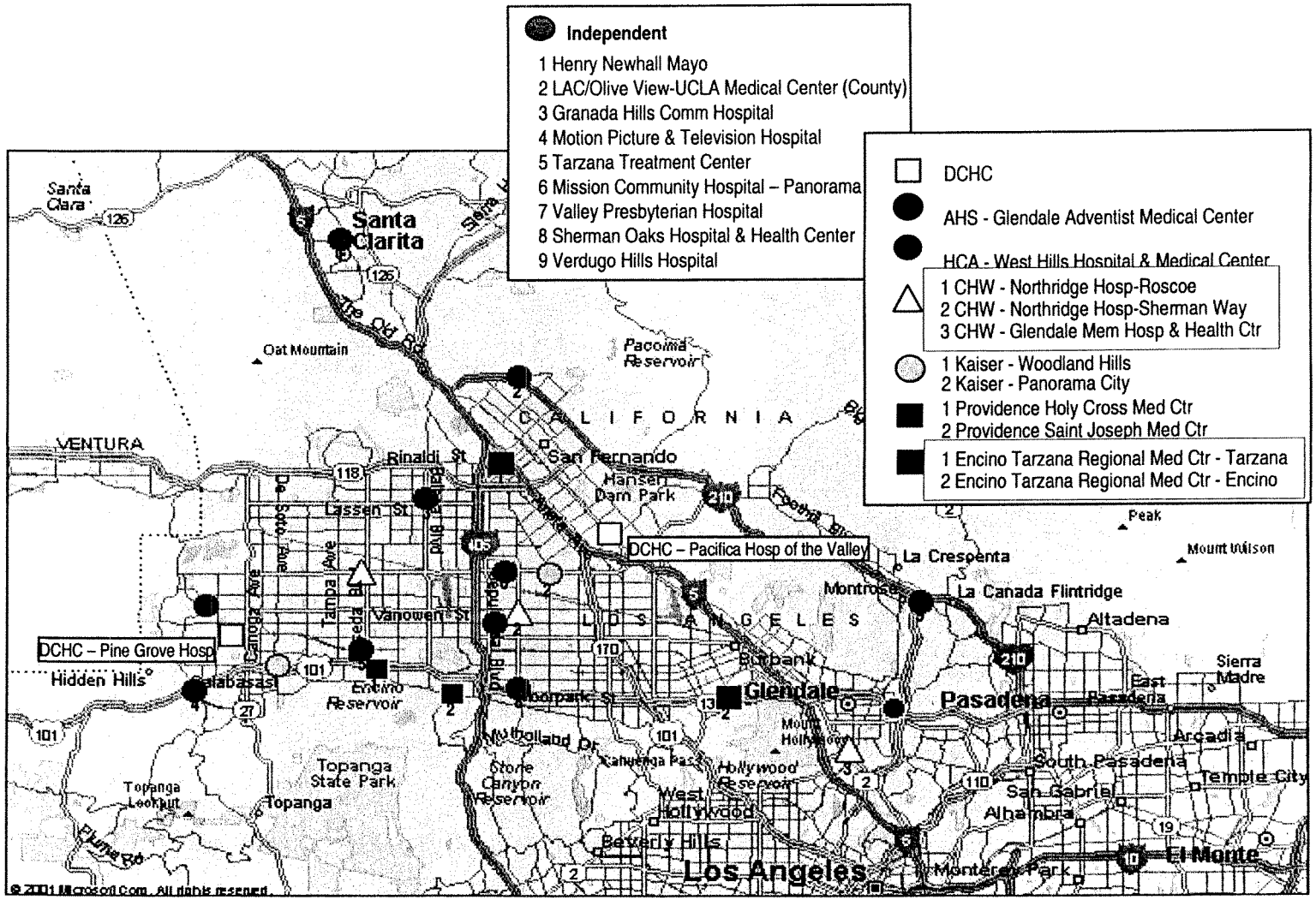
The majority of POV patients can be accommodated across the greater Los Angeles area provider market. However, the transfer of long-term/subacute patients may be more difficult.

AHA Statistics
Selected Los Angeles, CA Hospitals
General Medical and Surgical

	MED/ SURG	PSYCH	SUB ACUTE ADULT	SUB ACUTE PED	Staffed Beds	Admissions	Census	Outpatient Visits
Pacifica Hospital of the Valley	87	36	64	34	221	NR	NR	NR
Encino-Tarzana Regional Medical Ctr-Encino Campus					151	NR	NR	NR
Encino-Tarzana Regional Medical Ctr-Tarzana Campus					239	NR	NR	NR
Glendale Adventist Medical Ctr					457	NR	NR	NR
Glendale Memorial Hospital & Health Ctr					334	15,989	221	108,852
Henry Newhall Mayo					217	9,748	133	65,195
Kaiser Foundation Hospital-Panorama City					117	12,922	110	46,953
Kaiser Foundation Hospital-Woodland Hills					156	12,401	130	41,176
LAC-Olive View - UCLA Medical Ctr					226	NR	NR	NR
Mission Community Hospitals (San Fernando & Panorama City Campuses)					158	4,681	78	28,456
Motion Picture & Television Fund Hospital					218	NR	NR	NR
Northridge Hospital Medical Ctr - Sherman Way					209	NR	NR	NR
Northridge Hospital Medical Ctr - Roscoe Boulevard					412	14,900	219	130,105
Providence Holy Cross Medical Ctr					251	NR	NR	NR
Providence St. Joseph Medical Ctr					427	NR	NR	NR
Sherman Oaks Hospital and Health Ctr					153	4,859	78	37,695
Valley Presbyterian Hospital					290	11,239	157	93,211
Verdugo Hills Hospital					103	5,554	103	77,938
West Hills Hospital & Medical Ctr					236	8,211	114	78,015
Totals					3,946	75,500	969	458,432

PRELIMINARY

Pacifica Hospital of the Valley:
Map



PRELIMINARY

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PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $5.5M to $7.0 over the 120 day period required to close Hadley

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2	Month 3	Month 4 Closure	Month 5 30 days post closure	Month 6 60 days post closure	Months 7-16	Total Low Estimate	Total High Estimate
Revenue:										
Gross patient service revenue	$ 3,779,584	$ 2,834,688	$ 1,889,792	$ 944,896	$ 944,896	$ -	$ -	$ -	$ 6,614,272	$ 6,614,272
Deductions from revenue	(1,772,699)	(1,329,525)	(886,350)	(443,175)	(443,175)	-	-	-	(3,102,224)	(3,102,224)
Other revenue	15,563	-	-	-	-	-	-	-	-	-
Total net revenue	2,022,447	1,505,164	1,003,442	501,721	501,721	-	-	-	3,512,048	3,512,048
Operating Expenses:										
Salaries and benefits	969,700	969,700	969,700	484,850	484,850	48,485	48,485	315,865	3,321,936	3,321,936
Supplies	176,323	132,243	88,162	44,081	44,081	-	-	-	308,566	308,566
Professional fees (Medical)	3,500	3,500	3,500	3,500	3,500	-	-	-	14,000	14,000
Provision for uncollectible accounts	112,242	264,154	176,102	88,051	88,051	-	-	-	616,358	616,358
Purchased services	183,570	160,623	137,677	114,731	114,731	-	-	-	527,763	527,763
Repairs and maintenance	12,403	12,403	12,403	12,403	12,403	3,101	3,101	-	55,812	55,812
Insurance	4,476	4,476	4,476	4,476	4,476	4,476	4,476	44,765	71,623	71,623
Utilities	46,698	46,698	46,698	46,698	46,698	35,023	35,023	93,395	350,232	350,232
Rents and Leases	14,380	14,380	14,380	14,380	14,380	14,380	14,380	-	86,278	86,278
Other	8,446	8,446	8,446	8,446	8,446	-	-		33,782	33,782
One Time Closure Expenses	-	-	-	-	-	-	-	3,650,000	3,650,000	5,150,000
Total operating expenses	1,531,737	1,616,622	1,461,543	821,615	821,615	105,465	105,465	4,104,025	9,036,351	10,536,351
EBITDA	$ 490,710	$ (111,458)	$ (458,101)	$ (319,894)	$ (319,894)	$ (105,465)	$ (105,465)	$ (4,104,025)	**$ (5,524,302)**	**$ (7,024,302)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 75% of base month 1, 50% of base month 2, 25% of base months 3 & 4
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice per WARN Act; month 3+4 based on volume relative to baseline with 25% lag relative to volume; months 5+6 address clean-up and storage
Supplies	Estimated as % of net revenue
Professional fees (Medical)	Contracts closed during month 4, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 5+6
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 5+6) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$350,000-700,000	Estimated annual cost of $35,000 to $70,000 for medical records storage requirement based on DCHC current experience. 10 year
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$1,000,000-2,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$450,000-600,000	Assume a one-time cost for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $305k. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice

PRELIMINARY

The wind down of Hadley will occur over 120 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Given the type of patients seen at HMH and the potential closure of Greater Southeast Hospital, patient transfers may be difficult
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Management ability to execute closure work plan

Hadley Memorial Hospital:
Area Hospital Facilities

It may be a challenge to accommodate HMH patients. This challenge would be compounded if Greater Southeast closed at the same time. A closure of HMH closure may be seen as very negative to the community

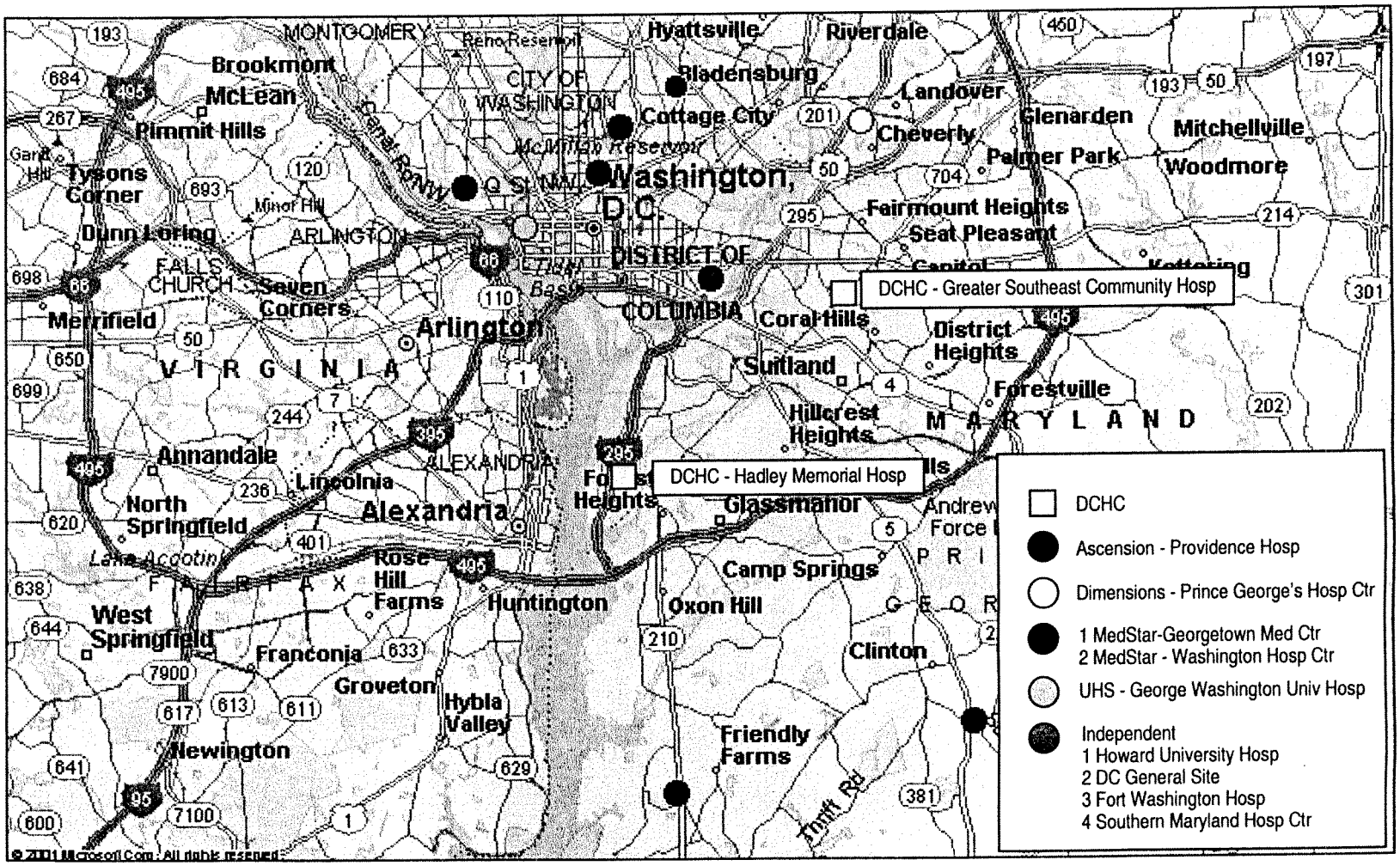
Hospital Bed Analysis

	MED/ SURG	OB/GYN	ICU	NICU	Acute Subtotal	PEDS	PSYCH	OTHER	Total
Greater Southeast Community Hospital	194	22	40	16	272	10	20	32	334
Children's National Medical Center	-	-	18	35	53	115	20	-	188
George Washington University Hospital	201	45	48	21	315	-	20	16	351
Georgetown University Hospital	198	22	38	46	304	30	14	-	348
Howard University Hospital	208	10	30	9	257	16	18	-	291
Providence Hospital	165	32	12	9	218	-	41	-	259
Sibley Memorial Hospital	171	20	14	-	205	-	15	16	236
Washington Hospital Center	581	35	66	20	702	-	36	22	760
Hadley Memorial Hospital - LT Acute Care	-	-	-	-	-	-	-	109	109
National Rehabilitation Hospital	-	-	-	-	-	-	-	156	156
Psychiatric Institute of Washington	-	-	-	-	-	-	104	-	104
St. Elizabeths Hospital	-	-	-	-	-	-	548	-	548
Totals	**1,718**	**186**	**266**	**156**	**2,326**	**171**	**836**	**351**	**3,684**

Source: DCHA Financial Indicators FY 2002

PRELIMINARY

Hadley Memorial Hospital:
Map



PRELIMINARY

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Disclaimer

This is intended to clarify Huron Consulting Group LLC's ("Huron") role related to the materials contained herein. Huron has assisted Doctors Community Healthcare Corporation ("DCHC" or the "Company") in analyzing their business and developing a preliminary closure plan for its facilities.

Huron has acted exclusively in an advisory capacity. Huron was not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, Huron does not express such an opinion. Huron does not express an opinion on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation

All financial information presented herein is the sole responsibility of the Company. Huron has necessarily relied on DCHC for the assumptions and information utilized in the various financial analyses presented. In so far as assumptions relate to the future and may be affected by unforeseen events, Huron expresses no opinion on how closely the forecasts will correspond to actual results.

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PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- Key issues not addressed/unknown
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $31.7M to $37.7M over the 60 day period required to close Michael Reese with WARN Act

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2 Closure start to closure end	Month 3 30 days post closure	Month 4 60 days post closure	Months 5-14	Total Low Estimate	Total High Estimate
Revenue:								
Gross patient service revenue	$ 25,785,187	$ 6,250,954	$ 3,125,477	$ -	$ -	$ -	$ 9,376,432	$ 9,376,432
Deductions from revenue	(16,436,142)	(3,984,519)	(2,303,686)	-	-	-	(6,288,206)	(6,288,206)
Other revenue	118,147	-	-	-	-	-	-	-
Total net revenue	9,467,192	2,266,435	821,791	-	-	-	3,088,226	3,088,226
Operating Expenses:								
Salaries and benefits	4,518,330	4,518,330	4,518,330	225,916	225,916	315,865	9,804,358	9,804,358
Supplies	871,143	211,186	105,593	-	-	-	316,779	316,779
Professional fees (Medical)	238,734	238,734	238,734	-	-	-	477,468	477,468
Provision for uncollectible accounts	548,699	539,316	195,552	-	-	-	734,868	734,868
Purchased services	1,162,318	697,391	348,695	-	-	-	1,046,086	1,046,086
Repairs and maintenance	218,009	218,009	218,009	54,502	54,502	-	545,023	545,023
Insurance	415,993	415,993	415,993	33,588	33,588	335,880	1,235,041	1,235,041
Utilities	377,437	377,437	377,437	283,078	283,078	566,155	1,887,183	1,887,183
Rents and Leases	64,525	64,525	64,525	64,525	64,525	-	258,099	258,099
Other	208,566	208,566	208,566	-	-	-	417,132	417,132
One Time Closure Expenses	-	-	-	-	-	21,100,000	21,100,000	28,100,000
Total operating expenses	8,623,753	7,489,486	6,691,433	661,609	661,609	22,317,900	37,822,037	44,822,037
EBITDA	$ 843,439	$ (5,223,051)	$ (5,869,642)	$ (661,609)	$ (661,609)	$ (22,317,900)	**$ (34,733,811)**	**$ (41,733,811)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of baseline month 1, 15% baseline month 2
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice required per WARN Act, months 3+4 salaries to address clean-up and storage requirements; months 5-14 reflect cost of
Supplies	Estimated as % of Net Revenue
Professional fees (Medical)	Contracts closed during month 2, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 3+4
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 3+4) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$1,000,000-2,000,000	Estimated annual cost of $100,000 to 200,000 for medical records storage based on DCHC current experience. 10 Year storage requirement
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	750,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$6,000,000-8,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$12,000,000-16,000,000	Assume a one-time cost of $15 - $17million for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $8.3 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Michael Reese will occur over 60 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Significant risk of governmental/political interference to delay closure
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Impact on graduate medical education/residency program
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Potentially significant increased security expenses
- Management ability to execute closure work plan

PRELIMINARY

Michael Reese:
Area Hospital Facilities

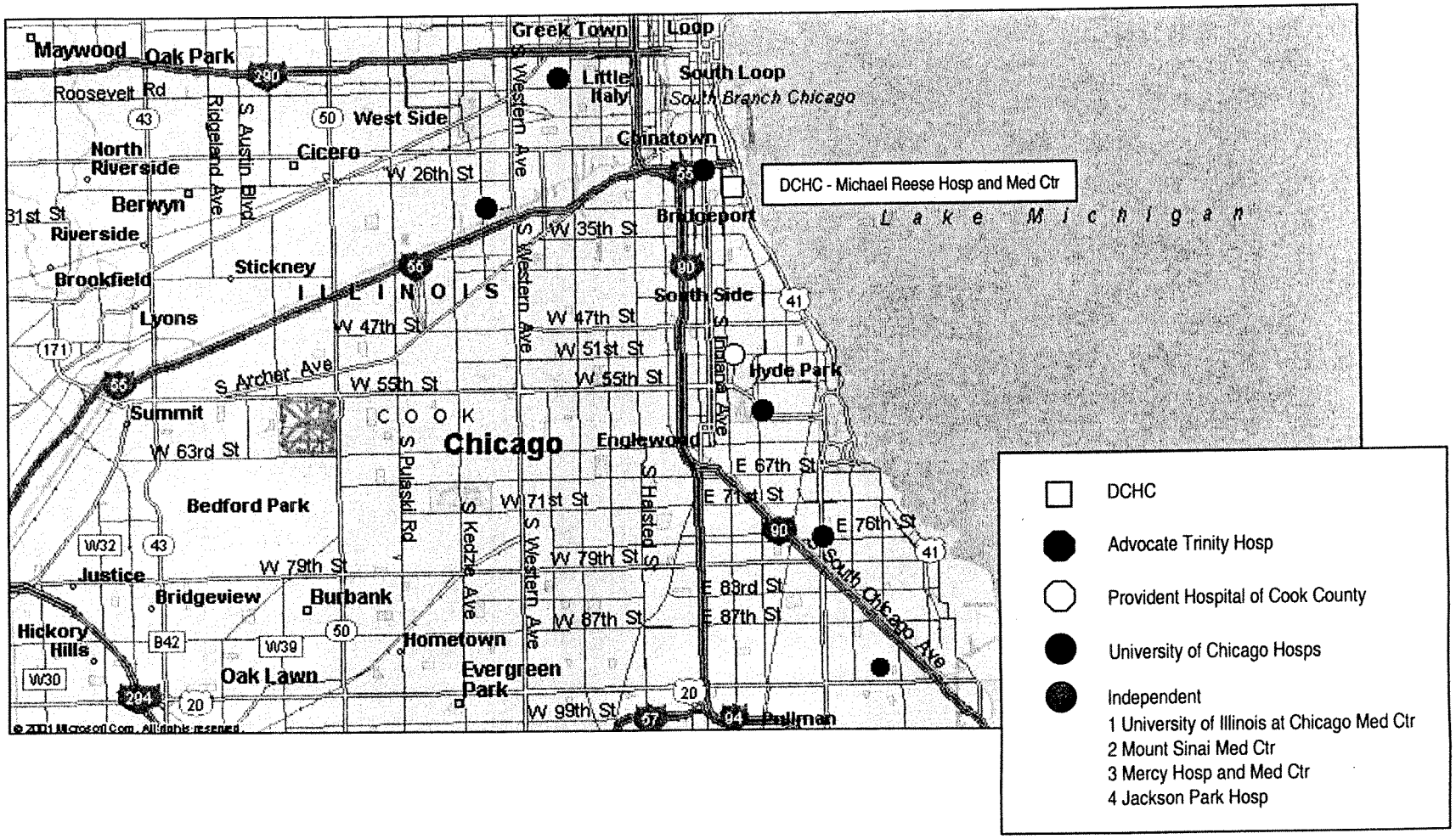
Michael Reese patients can be accommodated across the greater Chicago area provider market. The majority of the patients can be accommodated by close competitors. Additional remaining volume will be absorbed by other local providers.

AHA Statistics
Chicago, IL Hospitals
General Medical and Surgical

	Staffed Beds	Admissions	Census	Outpatient Visits
Michael Reese	364	31,065	173	4,123
Advocate Trinity Hospital	195	12,349	139	90,299
Jackson Park Hospital & Medical Ctr	225	7,980	119	31,547
Mercy Hospital and Medical Ctr	343	14,706	175	NR
Mount Sinai Hospital Medical Ctr of Chicago	296	16,583	215	214,400
Provident Hospital of Cook County	119	6,023	75	135,466
University of Chicago Hospitals	573	26,233	436	499,688
University of Illinois at Chicago Medical Ctr	428	NR	NR	NR
Totals	2,543	83,874	1,159	971,400

PRELIMINARY

Michael Reese Hospital and Medical Center:
Map



PRELIMINARY

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PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $32.7 to $38.7 over the 60 day period required to close Greater Southeast with WARN Act

	(6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2 Closure start to closure end	Month 3 30 days post closure	Month 4 60 days post closure	Months 5-14	Total Low Estimate	Total High Estimate
Revenue:								
Gross patient service revenue	$ 20,117,936	$ 6,190,134	$ 3,095,067	$ -	$ -	$ -	$ 9,285,201	$ 9,285,201
Deductions from revenue	(11,717,995)	(3,605,537)	(1,802,769)	-	-	-	(5,408,306)	(5,408,306)
Other revenue	1,146,358	-	-	-	-	-	-	-
Total net revenue	9,546,298	2,584,597	1,292,299	-	-	-	3,876,896	3,876,896
Operating Expenses:								
Salaries and benefits	5,718,573	5,718,573	5,718,573	285,929	285,929	315,865	12,324,869	12,324,869
Supplies	1,212,807	373,171	186,586	-	-	-	559,757	559,757
Professional fees (Medical)	529,733	529,733	529,733	-	-	-	1,059,467	1,059,467
Provision for uncollectible accounts	472,530	774,084	387,042	-	-	-	1,161,125	1,161,125
Purchased services	715,491	429,295	214,647	-	-	-	643,942	643,942
Repairs and maintenance	41,287	41,287	41,287	10,322	10,322	-	103,218	103,218
Insurance	404,369	404,369	404,369	33,588	33,588	335,880	1,211,793	1,211,793
Utilities	221,525	221,525	221,525	166,144	166,144	332,288	1,107,627	1,107,627
Rents and Leases	68,000	68,000	68,000	68,000	68,000	-	271,999	271,999
Other	121,694	121,694	121,694	-	-	-	243,389	243,389
One Time Closure Expenses	-	-	-	-	-	17,850,000	17,850,000	23,850,000
Total operating expenses	9,935,594	8,681,732	7,893,457	563,982	563,982	18,834,033	36,537,186	42,537,186
EBITDA	$ (389,295)	$ (6,097,135)	$ (6,601,158)	$ (563,982)	$ (563,982)	$ (18,834,033)	**$ (32,660,291)**	**$ (38,660,291)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of baseline month 1, 15% baseline month 2
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice required per WARN Act, months 3+4 salaries to address clean-up and storage requirements; months 5-14 reflect cost of security
Supplies	Estimated as % of Net Revenue
Professional fees (Medical)	Contracts closed during month 2, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 3+4
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 3+4) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$1,000,000-2,000,000	Estimated annual cost of $100,000 to 200,000 for medical records storage based on DCHC current experience. 10 Year storage requirement
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$3,000,000-4,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$12,000,000-16,000,000	Assume a one-time cost of $15 - $17million for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $8.3 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Greater Southeast Community Hospital will occur over 60 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
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- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Potential governmental/political action to delay closure
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Impact on graduate medical education/residency program
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Pending Joint Commission survey of DCHC in December
- Management ability to execute closure work plan

PRELIMINARY

Greater Southeast Community Hospital:
Area Hospital Facilities

GSCH patients can be accommodated across the Washington area provider market; however, there are no other acute care providers in the immediate vicinity

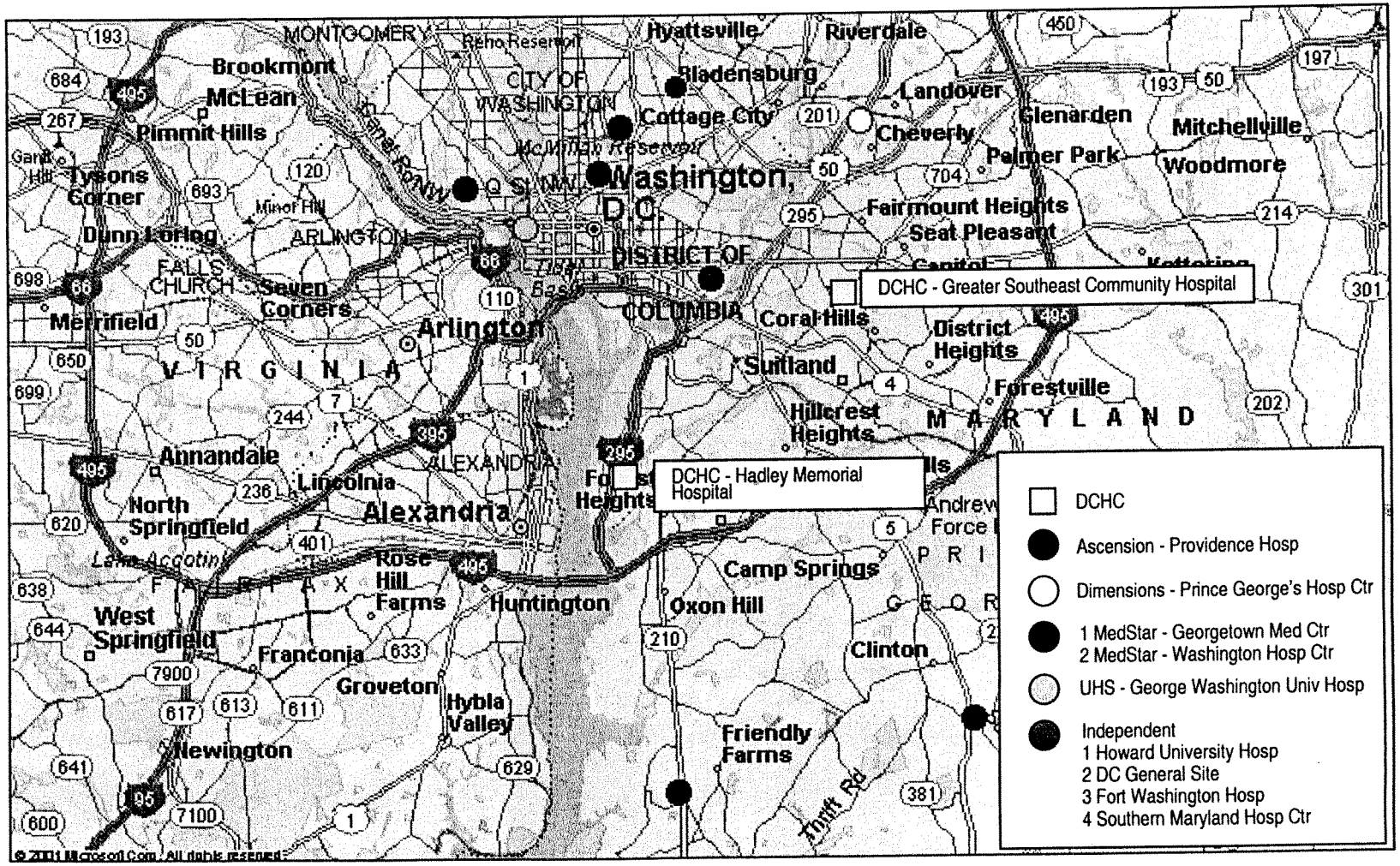
Hospital Bed Analysis

	MED/ SURG	OB/GYN	ICU	NICU	Acute Subtotal	PEDS	PSYCH	OTHER	Total
Greater Southeast Community Hospital	194	22	40	16	272	10	20	32	334
Children's National Medical Center	-	-	18	35	53	115	20	-	188
George Washington University Hospital	201	45	48	21	315	-	20	16	351
Georgetown University Hospital	198	22	38	46	304	30	14	-	348
Howard University Hospital	208	10	30	9	257	16	18	-	291
Providence Hospital	165	32	12	9	218	-	41	-	259
Sibley Memorial Hospital	171	20	14	-	205	-	15	16	236
Washington Hospital Center	581	35	66	20	702	-	36	22	760
Hadley Memorial Hospital - LT Acute Care	-	-	-	-	-	-	-	109	109
National Rehabilitation Hospital	-	-	-	-	-	-	-	156	156
Psychiatric Institute of Washington	-	-	-	-	-	-	104	-	104
St. Elizabeths Hospital	-	-	-	-	-	-	548	-	548
Totals	**1,718**	**186**	**266**	**156**	**2,326**	**171**	**836**	**351**	**3,684**

Source: DCHA Financial Indicators FY 2002

PRELIMINARY

Greater Southeast Community Hospital:
Map



PRELIMINARY

EXHIBIT 7

[Recapitalization Proposal]

PAUL R. TUFT
Doctors Community Healthcare Corporation
6730 North Scottsdale Road, Suite 290
Scottsdale, Arizona 85253

October 16, 2003

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Greenberg Traurig, LLP
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Deryck A. Palmer, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153

Thomas M. Barry
Cain Brothers
452 Fifth Ave.
New York, New York 10018

Andrew M. Troop, Esq.
Weil, Gotshal & Manges LLP
100 Federal Street, 34th Floor
Boston, Massachusetts 02110

Re: *Management Proposal for Acquisition of Equity of Reorganized Debtors*

Dear Mr. Reardon, Mr. Barry, Mr. Palmer and Mr. Troop:

I, on behalf of myself, certain other members of the management of Doctors Community Healthcare Corporation ("DCHC") and certain other parties identified herein (collectively, the "Management Proposal Proponents"), am pleased to submit the following proposal (the "Management Proposal") to acquire 100% of the equity of DCHC and its subsidiaries Greater Southeast Community Hospital Corporation I ("GSCH-I"); PACIN Healthcare-Hadley Memorial Hospital Corporation ("Hadley"); Michael Reese Medical Center Corporation ("Michael Reese") and Pacifica of the Valley Corporation ("Pacifica") (DCHC, together with Greater Southeast, Hadley, Michael Reese, and Pacifica on and after the Effective Date, collectively, the "Reorganized Debtors") to be issued pursuant to a confirmed bankruptcy plan of reorganization (the "Plan") for the Debtors, all on the terms and conditions set forth herein.

I. Definitions. Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to such terms in the draft Plan prepared by counsel for the Debtors' and transmitted to counsel for Tuft on September 23, 2003.

Management Plan Proponents means Paul R. Tuft, Erich Mounce, Ana Raley, Solanges Vivens, Ermanno Mariani, Tanya Curtis, Casey Fatch, Dr. Steven Bass, and certain other key members of the DCHC senior management team.

Non-Liquidating Debtors means DCHC, GSCH-I, Hadley, Michael Reese and Pacifica.

EXHIBIT 7

Excluded Assets means the Pine Grove Sale Proceeds, the Pine Grove Remaining Assets, the Debtors' claims and causes of action against NCFE and such other assets as may be designated as Excluded Assets by the Management Plan Proponents on or before the Effective Date.

Funding Transactions means the Merrill Lynch Exit Financing Facility, the Sun Exit Financing Facility, the Medline Funding Transaction, the HCRI New Mortgage Loan, the Hadley Hospital Investors Group Equity Transaction, the Pacifica Investment Company - I Equity Transaction, and the Pacifica Investment Company - II Equity Transaction.

Funding Letters mean the Merrill Lynch Exit Financing Facility Letter, the Sun Exit Financing Facility Letter, the Medline Equity Transaction Letter, the HCRI New Mortgage Loan Letter, the Hadley Hospital Investors Group Equity Transaction Letter, the Pacifica Investment Company - I Equity Transaction Letter , the Pacifica Investment Company - II Equity Transaction Letter, and the Greater Southeast Community Hospital Physicians and Community Equity Transaction Letter.

Consummated Funding Transactions means the Funding Transactions that are actually consummated on or before the Effective Date.

Merrill Lynch Exit Financing Facility means the revolving credit facility to be provided to Reorganized DCHC, Reorganized Pacifica, Reorganized Michael Reese and Reorganized Hadley on or before the Effective Date by Merrill Lynch Capital, a division of Merrill Lynch Business Credit, Inc. in substantially on the terms contained in the Merrill Letter. Any description of the Merrill Lynch Exit Financing Facility in this proposal is qualified in its entirety by the Merrill Lynch Exit Financing Letter.

Merrill Lynch Exit Financing Facility Letter means the letter to certain Management Proposal Proponents from Merrill Lynch setting forth the terms of the Merrill Lynch Exit Financing Facility, a copy of which is annexed hereto as exhibit "A".

Sun Exit Financing Facility means the accounts receivable purchase credit facility to be provided to the Reorganized GSCH-I on or before the Effective Date by Sun Capital Healthcare, Inc. substantially on the terms contained in the Sun Exit Financing Letter. Any description of the Sun Exit Financing Facility in this proposal is qualified in its entirety by the Sun Exit Financing Letter.

Sun Exit Financing Letter means the letter to certain of the Management Proposal Proponents from Sun Capital Healthcare, Inc. setting forth the terms of the Sun Exit Financing Facility, a copy of which is annexed hereto as exhibit "B".

Medline Transaction means the transaction by which Medline will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents, release its mortgage on the real property of Michael Reese and waive all of its existing claims against the Debtors in exchange for obtaining title to all the real property and buildings at the Reorganized Michael Reese, a 15 year lease back to Reorganized Michael Reese of such real property and buildings to and a specified portion of the Acquirers' equity of Reorganized DCHC,

substantially on the terms contained in the Medline Transaction Letter. Any description of the Medline Transaction in this proposal is qualified in its entirety by the Medline Transaction Letter.

Medline Funding Transaction means that portion of the Medline Transaction by which Medline will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized DCHC. This summary of the Medline Funding Transaction is qualified in its entirety by the Medline Transaction Letter.

Medline Transaction Letter means the letter to certain of the Management Proposal Proponents from Medline setting forth the terms of the Medline Transaction, including the Medline Funding Transaction, a copy of which is annexed hereto as exhibit "C".

HCRI Refinance Transaction means the transaction by which HCRI will refinance its existing debt on Pacifica and not require the defeasance of its mortgage from the Distribution Trust, on behalf of the Management Plan Proponents. HCRI will provide this refinance facility substantially on the terms contained in the HCRI Refinance Transaction Letter. Any description of the HCRI Refinance Transaction in this proposal is qualified in its entirety by the HCRI Refinance Transaction Letter.

HCRI Refinance Transaction Letter means the letter agreement to certain of the Management Proposal Proponents from HCRI setting forth the terms of the HCRI Refinance Transaction, a copy of which is annexed hereto as exhibit "D".

HCRI New Mortgage Loan means the transaction by which HCRI will make a payment in specified amount to the Distribution Trust on behalf of Management Plan Proponents in exchange for a note from Reorganized Hadley in the amount of the payment, secured by a mortgage on the real property owned by Hadley and GSCH-I, substantially on the terms contained in the HCRI New Mortgage Loan Letter. Any description of the HCRI New Mortgage Loan is qualified in its entirety by the HCRI New Mortgage Loan Letter.

HCRI New Mortgage Loan Letter means the letter to certain of the Management Proposal Proponents from HCRI setting forth the terms of the HCRI New Mortgage Loan, a copy of which is annexed hereto as exhibit "E".

Hadley Hospital Investors Group Equity Transaction means the transaction by which Hadley Hospital Investors Group will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized Hadley, substantially on the terms contained in the Hadley Hospital Investors Group Letter. Any description of the Hadley Hospital Investors Group Equity Transaction in this proposal is qualified in its entirety by the Hadley Hospital Investors Group Equity Transaction Letter.

Hadley Hospital Investors Group Equity Transaction Letter means the letter to certain of the Management Proposal Proponents from Hadley Hospital Investors Group setting forth the

terms of the Hadley Hospital Investors Group Equity Transaction, a copy of which is annexed hereto as exhibit "F".

Pacifica Investment Company - I Equity Transaction means the transaction by which Pacifica Investment Company - I Equity Transaction will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized Pacifica, substantially on the terms contained in the Pacifica Investment Company - I Equity Transaction Letter. Any description of the Pacifica Investment Company - I Equity Transaction in this proposal is qualified in its entirety by the Pacifica Investment Company - I Equity Transaction Letter.

Pacifica Investment Company - I Equity Transaction Letter means the letter to certain of the Management Proposal Proponents from Pacifica Investment Company - I setting forth the terms of the Pacifica Investment Company - I Equity Transaction, a copy of which is annexed hereto as exhibit "G".

Pacifica Investment Company - II Equity Transaction means the transaction by which Pacifica Investment Company - II Equity Transaction will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized DCHC, substantially on the terms contained in the Pacifica Investment Company - II Equity Transaction Letter. Any description of the Pacifica Investment Company - II Equity Transaction is qualified in its entirety by the Pacifica Investment Company - II Equity Transaction Letter.

Pacifica Investment Company - II Equity Transaction Letter means the letter to certain of the Management Proposal Proponents from Pacifica Investment Company - II setting forth the terms of the Pacifica Investment Company - II Equity Transaction, a copy of which is annexed hereto as exhibit "H".

Durairaj Capital Investment Transaction means the transaction by which S.K. Durairaj, M.D. will contribute a specified amount of capital to Reorganized DCHC in exchange for a specified portion of the Acquirers' equity of Reorganized DCHC, substantially on the terms contained in the Durairaj Capital Investment Transaction Letter. Any description of the Durairaj Capital Investment Transaction is qualified in its entirety by the Durairaj Capital Investment Transaction Letter. The Durairaj Capital Investment Transaction is not a Funding Transaction. However, at the election of the Management Proposal Proponents in the exercise of their sole discretion, and only to the extent necessary to enable the Management Proposal Proponents to satisfy their commitment to make the minimum payment to the Distribution Trust required under paragraph II.B.1.b of this proposal, the Durairaj Capital Investment Transaction may, with the consent of Dr. Durairaj, be converted to a Funding Transaction such that the funds to be contributed by Dr. Durairaj, would be paid on behalf of the Management Plan Proponents to the Distribution Trust instead of to Reorganized DCHC.

Durairaj Capital Investment Transaction Letter means the letter to certain of the Management Proposal Proponents from S.K. Durairaj, M.D. setting forth the terms of the Durairaj Capital Investment Transaction, a copy of which is annexed hereto as exhibit "I".

Curtis Capital Investment Transaction means the transaction by which Tanya Curtis will contribute a specified amount of capital to Reorganized GSCH-I in exchange for a specified portion of the Acquirers' equity of Reorganized GSCH-I, substantially on the terms contained in the Curtis Capital Investment Transaction Letter. Any description of the Curtis Capital Investment Transaction is qualified in its entirety by the Curtis Capital Investment Transaction Letter. The Curtis Capital Investment Transaction is not a Funding Transaction. However, at the election of the Management Proposal Proponents in the exercise of their sole discretion, and only to the extent necessary to enable the Management Proposal Proponents to satisfy their commitment to make the minimum payment to the Distribution Trust required under paragraph II.B.1.b of this proposal, the Curtis Capital Investment Transaction may, with the consent of Ms. Curtis, be converted to a Funding Transaction such that the funds to be contributed by Ms. Curtis, would be paid on behalf of the Management Plan Proponents to the Distribution Trust instead of to Reorganized GSCH-I.

Curtis Capital Investment Transaction Letter means the letter to certain of the Management Proposal Proponents from Tanya Curtis setting forth the terms of the Curtis Capital Investment Transaction, a copy of which is annexed hereto as exhibit "J".

Beckmann Letter means the memorandum of understanding between Dr. Enrique Beckmann and certain Management Proposal Proponents regarding, among other things, the equity structure of Reorganized Michael Reese, a copy of which is annexed hereto as Exhibit "K".

II. Basic Transaction.

A. Assets to be Acquired. One or more persons or entities designated by the Management Proposal Proponents (the "Acquirers") would acquire, free and clear of all liens, claims, encumbrances and liabilities (except for those liabilities designated herein as "Assumed Liabilities" that the Acquirers agree the Reorganized Debtors shall assume under the Plan), pursuant to the Plan, 100% of the equity of the Reorganized Debtors, with the Reorganized Debtors retaining all assets owned by the Non-Liquidating Debtors as of the Effective Date, except for those assets designated herein as "Excluded Assets", which shall not be retained by the Reorganized Debtors.

The Management Proposal is a unified proposal for the acquisition of the equity of all of the Reorganized Debtors and is not to be construed as a series of severable proposals for acquisition of equity on an entity-by-entity basis.

B. Consideration.

1. Cash Contribution. The Management Proposal Proponents will cause the greater of (a) all of the net proceeds of each of the Consummated Funding Transactions in an amount not to exceed $61,400,000 or (b) $ 42,000,000 be paid to the Distribution Trust on or before the Effective Date. In addition, $6.95 million in cash proceeds from the previously

consummated sale of Pine Grove Hospital (less sales commissions) would be available for payment to the Distribution Trust on or before the Effective Date.

2. Restructuring of Certain Secured Claims. The Management Proposal Proponents have caused HCRI and Medline to agree that their secured claims against the Debtors shall be satisfied by the Reorganized Debtors in the manner set forth in the respective agreements between those creditors and the Management Proposal Proponents, and that those creditors shall not have any recourse against the Distribution Trust. The Management Proposal Proponents agree to cause the foregoing restructuring commitments of HCRI and Medline to remain in effect through the Effective Date.

3. Assumption of Ordinary Course Administrative Expense Claims. The Management Proponents agree that all administrative expense obligations incurred in the ordinary course of business of the Debtors since the Petition Date, but unpaid as of the Effective Date shall be assumed by the Reorganized Debtors and paid by the Reorganized Debtors in accordance with their terms or on such other terms as may be agreed to by the Reorganized Debtors and the holder of a particular administrative expense claim. The Reorganized Debtors will not assume or pay the fees and expenses of those professionals engaged by the Debtors and the Committee (other than those engaged by the Debtors as ordinary course professionals) in connection with the bankruptcy cases.

4. Assumption of Certain Prepetition Unsecured Claims. The Management Proposal Proponents agree that the following prepetition unsecured claims against the Debtors shall be assumed by the Reorganized Debtors and paid by the Reorganized Debtors in accordance with their terms or on such other terms as may be agreed to by the Reorganized Debtors and the holder of a particular claim: (a) All Medical Malpractice Claims, to the extent not covered the Debtors' medical malpractice insurance, (b) All prepetition obligations owed to third party payers that are susceptible to set off or recoupment against future amounts due from those third party payers, (c) amounts owed to the Health Care Finance Administration in an amount not to exceed $1.8 million relating to the prepetition conversion of a set off obligation to a promissory note, and (d) All accrued and unpaid prepetition employee benefit obligations.

5. Curing of Defaults on Executory Contracts and Unexpired Leases. The Management Proposal Proponents agree that the Reorganized Debtors shall be responsible for paying within the later of (a) 60 days after the Effective Date and (b) the date of entry of an order resolving any disputed cure amount, any costs to cure defaults on executory contracts and unexpired leases to be assumed under the Plan.

6. Reduction of Other Prepetition Claims. The Management Proposal Proponents agree to negotiate with certain other holders of prepetition claims against the Debtors not already listed above as claims to be assumed by the Reorganized Debtors with respect to the continued provision of goods and/or services to the Reorganized Debtors for the purposes of obtaining waivers or reductions of claims against the Distribution Trust.

7. Waiver of Claims held by Management. The Debtors' officers and directors agree the Plan may provide a deemed waiver and release of any and all prepetition

Claims held by them against the Debtors other than indemnity claims for claims asserted against them as officers and directors of the Debtors.[1]

III. Capital Structure and Corporate Governance of Reorganized Debtors.

A. Capital Structure. The Management Proposal Proponents agree that, subject to consummation of each of the Funding Transactions applicable to the respective Reorganized Debtor, the equity of the Reorganized Debtors shall be allocated as follows:

1. DCHC. The existing equity of DCHC shall be cancelled and, pursuant to the terms of the Medline Transaction Letter, Reorganized DCHC shall issue to Medline a specified amount of preferred shares convertible to common stock, representing, at the time of issuance, a 20% ownership interest in Reorganized DCHC (on a fully diluted basis). Pursuant to the Durairaj Capital Investment Transaction Letter and the Pacifica Investment Company - II Equity Transaction Letter, Reorganized DCHC shall issue shares of common stock, (a) equating to 1.5% of the common stock of Reorganized DCHC, to Pacifica Investment Company - II. and (b) equating to 10% of the common stock of Reorganized DCHC to Dr. Durairaj. Reorganized DCHC shall also issue the remaining common stock to Paul Tuft and Erich Mounce. Each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized DCHC. No other common stock of Reorganized DCHC is proposed to be issued in connection with confirmation of the Plan.

2. Pacifica. Pursuant to the terms of the Pacifica Investment Company - I Letter, Reorganized Pacifica shall issue shares of common stock to Pacifica Investment Company - I, or such other number of shares of common stock to Pacifica Investment Company - I as is required for Pacifica Investment Company - I to own twenty percent (20%) of the common stock of Reorganized Pacifica and Reorganized DCHC to own eighty percent (80%) of the common stock of Reorganized Pacifica. Reorganized DCHC and Pacifica Investment Company - I shall enter into a mutually agreeable agreement that entitles Pacifica Investment Company - I to acquire from the Reorganized DCHC its remaining interest of Pacifica after three years at its then-current market value. If Pacifica Investment Company - I does not exercise its option after three years and 90days, the Reorganized DCHC is granted an option to purchase all the interest in Pacifica held by Pacifica Investment Company – I, at its then-current market value. All common stock of Reorganized Pacifica shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized Pacifica.

3. Michael Reese. Pursuant to the Beckmann Letter, Reorganized Michael Reese shall issue shares of common stock to Dr. Enrique Beckmann in amount sufficient for Dr. Beckmann to own twenty percent (20%) of the common stock of Reorganized Michael Reese. The remaining shares of Reorganized Michael Reese shall be issued to Reorganized DCHC. Reorganized DCHC and Dr. Beckmann shall enter into a mutually agreeable agreement that

[1] Attached as Exhibit "L" is an accounting of prepetition claims to be assumed by the Reorganized Debtors or for which the Reorganized Debtors will attempt to obtain waivers or reductions. As of the date of this letter, $533 million in prepetition claims have been identified as claims that would either be assumed by the Reorganized Debtors or for which the Reorganized Debtors will attempt to obtain waivers or reductions. The $533 million figure includes medical malpractice claims, claims arising from executory contracts and unexpired leases (other than leases from NCFE), certain secured lenders and trade payables.

entitles Dr. Beckmann to acquire from Reorganized DCHC the latter's interest of Michael Reese after three years at its then-current market value. All common stock of Reorganized Michael Reese shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized Michael Reese. The foregoing description of the agreement between Dr. Beckmann and the Management Plan Proponents regarding the equity structure of Reorganized Michael Reese is qualified in its entirety by the Beckmann Letter.

4. GSCH-I. Reorganized GSCH-I shall issue shares of common stock to (a) Tanya Curtis in amount sufficient for Ms. Curtis to own five percent (5%) of the common stock of Reorganized GSCH-I and (b) Reorganized DCHC in amount sufficient for Reorganized DCHC to own ninety-five percent (95%) of the common stock of Reorganized GSCH-I. Out of its allocation of stock of Reorganized GSCH-I, Reorganized DCHC is reserving up to 15% of the issued and outstanding stock of Reorganized GSCH-I for sale to physicians of the Reorganized GSCH-I medical staff and certain community members, provided, however, that Ms. Curtis shall have a right of first refusal at fair market value with respect to any proposed sales. Reorganized DCHC shall have a right of first refusal at fair market value with respect to any proposed sales by Ms. Curtis of her shares of Reorganized GSCH-I. All common stock of Reorganized GCSH-I shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of GSCH-I. The foregoing description of the agreement between Ms. Curtis and the Management Plan Proponents regarding the equity structure of Reorganized GSCH-I is qualified in its entirety by the Curtis Capital Investment Transaction Letter.

5. Hadley. Reorganized Hadley shall issue shares of common stock to Hadley Hospital Investors Group, or such other number of shares of common stock to Hadley Hospital Investors Group as is required for Hadley Hospital Investors Group to own twenty percent (20%) of the common stock of Reorganized Hadley and Reorganized DCHC to own eighty percent (80%) of the common stock of Hadley. Reorganized DCHC and Hadley Hospital Investors Group shall enter into a mutually agreeable agreement that entitles Hadley Hospital Investors Group to acquire from the Reorganized DCHC its interest in Hadley after three years at its then-current market value. If Hadley Hospital Investors Group does not exercise its option after three years and 90 days, Reorganized DCHC shall have the option to purchase all the interests in Hadley held by Hadley Hospital Investors Group, at its then-current market value. All common stock of Reorganized Hadley shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized Hadley.

B. Corporate Governance.

The boards of directors and the officers of the Reorganized Debtors shall be as follows:

GSCH-I. The Board of Directors of the Reorganized GSCH-I will consist of at least 11 members. Following is a list of the persons identified as members to date:

- Pedro Alfonso, Chairman, Director and local businessman
- Alma Arrington Brown, Director, Finance / Management

- Ike Fulwood, Director, Community Member, Retired; Former DC Chief of Police
- Pierpont Mobley, Director, Community Member, H.R. / Management
- Carl Jones, Director, PG County Resident, Entrepreneur, businessman
- Scott Burr, M.D., Director, Anesthesiologist, GSCH Medical Staff Member
- Edward Potter, M.D., Director, Chief of Medical Staff GSCH
- Ernestine Caldwell-Howard, Director, Professor, Healthcare Management
- Velma Lewis, RN, MSN, Director, Acting Nursing Director, GSCH
- Joan Phillips, Hospital Administrator and one DCHC representative
- Tanya Curtis, Independent Businessperson and Investor

Additional directors may be named. A complete list of officers and directors of GSCH-I will be forthcoming.

Hadley. The Board of Directors of the Reorganized Hadley will consist of at least 8 members. Following is a list of the members identified to date:

- Solanges Vivens, Chairman, Community Member, President of the DC Association of Long Term Care and local businesswoman
- Janine Finck-Boyle, Hadley Administrator – Ex Officio
- Ana Raley – Vice Chairman and Secretary
- Asghar Shaigany, M.D. President of the Medical Staff
- LTAC Director
- SNF Medical Director
- Geraldine Law, KIDS R US, Community Member
- Member, Community Member to be determined
- DCHC Representative, Vice President

A complete list of officers and Directors shall be forthcoming.

Michael Reese. The Board of Directors of the Reorganized Michael Reese will consist of 14 members. Following is a list of the members identified to date: