

## Proposed Transaction

- During its 2008 session, the Maryland General Assembly enacted Chapter 680 of the Laws of Maryland, creating the Prince George’s County Hospital Authority (“PGCHA”) to oversee a competitive bidding process for the purpose of facilitating the transfer or acquisition of the Prince George’s County Healthcare System (“PGCHS” or the “System”). State and County Officials have committed a combined investment of \$174 million over five years beginning in Fiscal Year 2011 through Fiscal Year 2015 for support of the System if the bidding process results in an agreement to transfer the System to a new owner or owners.
- The System consists of the healthcare assets, leasehold rights, liabilities and operations held, conducted or operated by Prince George’s Hospital Center, Laurel Regional Hospital, Bowie Health Campus, Gladys Spellman Specialty Hospital and Nursing Center, and Larkin Chase Nursing and Rehabilitation Center. These assets are currently operating as the Dimension Health System (“Dimensions”) an integrated health care delivery system principally serving residents of Prince George’s County, Maryland (the “County”).
- Alvarez & Marsal Healthcare Industry Group LLC (“A&M”) has been retained by the PGCHA as an advisor to market the assets of the PGCHS.

## System Profile

- The System consists of four operating divisions with all facilities located within the County:
  - i. Prince George’s Hospital Center (the “Hospital Center” or “PGHC”), a 246-licensed bed acute-care hospital and regional referral center;
  - ii. Laurel Regional Hospital (“Laurel Regional” or “LRH”), a 135-licensed bed acute-care community hospital and special hospital rehabilitation center;
  - iii. Gladys Spellman Specialty Hospital and Nursing Center (“Spellman Nursing” or “GSSH”), a 107-licensed bed comprehensive care and chronic care facility;
  - iv. the Bowie Health Center (“Bowie Center”), a freestanding, de-regulated ambulatory surgery center and a rate regulated emergency care facility, and the Larking Chase Nursing Rehabilitation Center, which resides on the Bowie Campus, and in which the System owns a 25% minority investment.
- The System is the largest provider of health care services in the County. In the fiscal year ended June 30, 2008, the Hospital Center and Laurel Regional discharged 23,587 patients who received 104,009 days of care, excluding newborns. In addition, the emergency rooms at the Hospital Center, Laurel Regional and Bowie Center provided 129,990 visits in Fiscal Year 2008.

## Summary of Consolidated Financial Performance<sup>1</sup>

(\$ in 000s)

FYE June 30	2006 A	2007 A	May YTD	2008 P <sup>(2)</sup>	2009 B
Net Patient Revenues	\$332,135	\$341,179	\$317,596	\$345,386	\$354,192
Grants/Subsidies	24,475	29,855	15,761	16,788	31,142
Total Operating Revenues	367,007	380,846	343,489	373,292	396,478
EBIDA	29,646	25,865	6,604	5,212	16,405
Net Income	\$19,532	\$17,541	(\$2,276)	(\$4,411)	\$4,448

<sup>1</sup> Source: Audited financials for 2006 and 2007, and Dimensions management for May YTD and 2008-2009.

<sup>2</sup> DHS received a waiver of pension funding obligations for pension year 2007, resulting in a reduction of subsidies.

## Investment Highlights

- **Strategic Locations:** The System offers Qualified Parties strategic locations throughout the County to take advantage of the strong Baltimore/Washington market place which is the 4<sup>th</sup> largest metropolitan area in the United States<sup>1</sup>. Three major campuses, each with approximately fifty (50) acres, are located in Cheverly, Laurel, and Bowie, Maryland. The System is located on or near several of the major Baltimore Washington traffic arteries, including I-95, I-495 (the Capital Beltway), and other major arteries.
- **Financial Commitment by the State of Maryland and Prince George's County:** State and County Officials have formalized a Memorandum of Understanding on the long-term funding of the Prince George's Hospital System, committing to a combined investment of \$174 million over five years beginning in Fiscal Year 2011 through Fiscal Year 2015. These funds are being committed by the State and County for support of the Prince George's County Healthcare System if the bidding process results in an agreement to transfer the system to a new owner or owners. Both the State and County have agreed to provide \$12 million each in FY 2009 and FY 2010.
- **Leading Market Position:** The System's two hospitals; Hospital Center and Laurel Regional draw approximately 79% of their patients from the County. In addition, the System operates in the State of Maryland, which benefits from a favorable reimbursement environment.
- **Growing Population Base:** The System operates in a dynamic and growing area. The Hospital Center serves a population estimated at 828,770 in 2007, which is projected to grow to 950,250 by 2020<sup>2</sup>. The percentage of the population 65 years old and older was 8.7% in 2006<sup>1</sup>. The 65 year and older population is expected to grow in excess of 200% by 2030<sup>2</sup>. With its dominant market position in the County, the System is ideally positioned to take advantage of this growth.
- **Dominant Service Position:** The System offers Qualified Parties a vertically integrated range of services including inpatient hospital care, emergency care, chronic care, comprehensive nursing, assisted living, ambulatory care and primary care. Inpatient hospital services include cardiology, medicine, obstetrics, neonatology, pediatrics, psychiatry, rehabilitation, surgery and trauma.
- **Comprehensive Range of Healthcare Facilities:** The System offers a comprehensive range of health care facilities. These include a 246-bed regional referral center, a 135-bed community hospital, a 107-bed chronic and comprehensive care facility, a freestanding emergency center, a freestanding ambulatory surgery center, two primary care sites and a minority 25% interest in a 120-bed nursing facility.
- **Opportunities to Increase Margins:** Opportunities exist to improve financial performance through greater utilization, synergies and economies of scale.

All communications, inquiries, and requests for information regarding the potential transaction should be directed to one of the Alvarez & Marsal representatives listed below.

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<sup>1</sup> Source: U.S Census Bureau.

<sup>2</sup> Source: Maryland Department of Planning, Planning Data Services as of November 2007.