KNAPP MEDICAL CENTER

Acquisition Overview

June 25, 2012

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Transaction Structure

- Prime Healthcare Services (PHS) Acquires Knapp's (KMC) Assets Comprising
  - Knapp Medical Center
  - The Knapp Surgery Center (87% Interest)
  - Knapp Medical Group
  - MVPA
  - FF&E + Rental Properties + Conference Center
- Excluded Assets
  - KMC Foundation (FKMC) Assets/Liabilities
  - 4 Vacant Lots

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Financial Structure

- As Consideration for the Assets, Prime will:
  - Retire Current Bond and Swap Obligation
  - Purchase Net Working Capital at of Acquired Assets at Close
- FKMC Retains:
  - KMC Investments/Investment Grade Securities
  - Deferred Financing
  - 4 Vacant Lots Detailed in Presentation
  - FKMC Assets/Liabilities

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Financial Consideration Detail (Estimate)

Item	Amount
Long Term Debt	$51,007,642
Interest Rate Swap	$4,364,913
Current Assets	$35,334,551
Current Liabilities	-$13,412,834
Total	**$77,294,272**

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The Foundation For Knapp Retained Assets (Estimate)

Item	Amount
Short Term Investments (KMC)	$6,710,346
FKMC Net Working Capital	$1,229,079
Net Working Capital (Purchased)	$21,565,778
Investments (KMC+FKMC)	$68,847,887
4 Vacant Lots	TBD
Total	**$98,353,090**

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Special Commitments

- Minimum $10MM invested over the next 5 Years
- PMS and FKMC will agree on a jointly sponsored charity care program that will allow PMS and FKMC to continue to support charity care at KMC
- Agree to operate the facility as an acute care facility for no less than 5 years
- Agree to not close or sell the hospital for no less than 5 years
- Agree to provide the current services offered by KMC
- Agree to maintain the name of Knapp Medical Center for no less than 5 years
- Agree to maintain the memorial garden
- Support FKMC with transition services and work to agreeable long term housing of the FKMC on campus

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Additional Considerations

- PHS will commit to invest a minimum of and additional $10M in capital expenditures in KMC over the next 5 year period to support its position in the community and other strategic initiatives
- PHS will look to maintain the current employ of KMC's staff. Any employment contracts or executive management will be negotiated on an individual. It is not PHS's intent to downsize support or clinical staff
- PHS maintains every intent to get to final terms and consummation of a transaction

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Additional Considerations

- PHS is committed to maintaining KMC's services in the community and investing further in the facility, Weslaco and the Rio Grande Valley
- PHS maintains the financial strength to consummate the proposed transaction without contingencies or financing source requirements
- PHS requirements for approval are limited to its Foundation's 3 Member Board and any customary regulatory requirements

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