



CONFIDENTIAL

August 28, 2012

John Lackey
Chair
Board of Directors
Knapp Medical Center
1401 E. Eighth Street
Weslaco, Texas 78596

Re: Proposal to Purchase Knapp Medical Center

Dear Mr. Lackey:

This letter of intent will confirm that Prime Healthcare Services Foundation ("PHSF") or a wholly owned subsidiary of PHSF (together the "Buyer") is interested in acquiring substantially all of the assets of Knapp Medical Center ("KMC"), Knapp Medical Group ("KMG"), and Mid-Valley Physicians Association ("MVPA") (KMC, KMG, and MVPA shall be collectively referred to as the "Seller"), KMC's interests in The Knapp Surgery Center, and assuming certain of its liabilities and obligations, on terms that would be mutually agreeable. In this letter, (a) Buyer and the Seller are sometimes called singularly a "Party" and collectively the "Parties"; and (b) Buyer's possible acquisition of the assets of the Seller is sometimes called the "Proposed Transaction".

PART ONE

The Parties wish to commence negotiating a definitive written acquisition agreement providing for the Proposed Transaction (the "Definitive Agreement"). To facilitate the negotiation of a Definitive Agreement, on Buyer's request, Buyer's counsel shall prepare an initial draft. The execution of any such Definitive Agreement would be subject to the satisfactory completion of Buyer's ongoing investigation of the Seller's business and would also be subject to approval, among others, by Buyer's board of directors and Seller's board of directors.

KMC
00697

If you are in agreement with the foregoing, please sign and return one copy of this letter, which thereupon will constitute our understanding with respect to its subject matter.

Very truly yours,

BUYER:

PRIME HEALTHCARE SERVICES
FOUNDATION:

By: 

Michael J. Sarrao
Secretary & Treasurer

Agreed to as to the Binding Provisions on August ____, 2012.

SELLER:

KNAPP MEDICAL CENTER:

By: _____

John Lackey
Chair

KMC
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