EFFECTS OF PROJECT AREAS ASSOCIATED WITH SOURCES AND USES FOR FIRST TWO YEARS (000,000s)

Notes on Uses:

1. Operating Loss

	Item	Est. Impact	2014 Est	2016 Est
a.	Net O'Connor Op results EBIDA improvement	**44**	(10)	34
b.	SMC Net EBIDA Improvement	**9**	(9)	0
c.	SFMC Net EBIDA erosion	**(9)**	36	27
d.	SL Net EBIDA Erosion	**(2)**	3	1
e.	SV Net EBIDA Improvement	**15.5**	7.5	23
f.	partial consolidation of system services	**10**		
g.	Other system improvements	**11.5**		
	Total Improvement from Operations by 2016	**90**		

2. Bonds — No specific changes to financial terms -must renegotiate the covenants to allow for lending flexibility to allow for (1) issuance of new seismic bond for San Mateo County and (2) ABL line based on A/R. Other covenant conditions regarding governance and corporate structure also to be sought as needed.

3. Pension Liability — Seek two year deferral of any extraordinary contributions to reduce GAAP deficiency. Will continue to make ordinary course payments and required contributions and will outreach to represented parties to discuss future pension offerings to comport more with market. Possibly seek transition to defined contribution plan for employees 49 and younger or other sensible modification.

4. Seismic — Need to finish St Vincent seismic ($20 million) and commence Seton seismic ($30 million in the immediate time frame) projects.

5. Medical Foundation — Need to eliminate current loss run rate of $20,000,000 annually either through contract renegotiation or program restructuring. Uncertain of allocation of capitation premiums and risk sharing.

6. Business development — Need to undertake a massive rebranding of hospitals, and also promote and market aggressively programs and physician expansion at St. Vincent and O'Connor. Cost will be about $30,000,000 annually.

Notes on Sources:

1. Asset Based Lending — Need to leverage current A/R. Under estimates of asset based lending programs in market we believe we can establish a $70,000,000 line to help fund operating losses while fixes are in progress. Note this will likely need adjustment of bond covenants as mentioned above.

2. MOB Refinancing — Up to $20 million can be leveraged from medical office building real estate. Likely also includes adjustments to bond covenants.

3. Insurance Reserves — Potentially up to $15 million can be leveraged from insurance reserves of captive insurer. Transition to market risk arrangements.

4. Seismic bond — Seek issuance from San Mateo County (or ICFA?) of a new seismic bond directed primarily at funding the seismic costs at Seton. Current San Mateo funding to be directed to paying the bond costs. Reopen ER and ICU services if press reports of their closure are accurate. Total funding would be $160 million, $30 million to be spent in current time frame.

5. RCB Investment — The current cash shortfall from uses amounts to $140,000,000 - it is projected that this is the amount of capital infusion that RCB would prpovide to underwrite programs to build the business through the marketing, rebranding and business development programs, and cover operating cash shortfalls not otherwise covered by operating loss remediation or the new ABL line.
The exact form or structure of the RCB funding to the system is yet to be determined. Operating projections currently assume that it will be in the form of an intermediate term bond with appropriate credit risk and other terms, which, as with the other new lending noted above, will require adjustment to current bond covenants.