

**STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION**

MEMORANDUM

TO: Valley Health System
FROM: Gary E. Klausner
DATE: January 27, 2010
RE: Valley Health System
Statement of Board of Directors Regarding Limited Objection Filed on
Behalf of Bondholders

On January 25, 2010, Valley Health System (VHS) received an objection to the District's proposed Plan of Adjustment which had been filed on behalf of the bondholders who hold claims against VHS of approximately \$44 million. It's important to note that the bondholders' objection does not reflect opposition to the proposed sale of substantially all the District's assets to Physicians for Healthy Hospitals, Inc. ("PHH") nor to the Plan itself. In fact, 99% of the bondholders who voted on the District's Plan of Adjustment, which is based on the proposed sale to PHH, voted to accept it. The objection merely expresses the bondholders' concern, that as of January 25, 2010, the deadline for filing Plan objections, the bondholders had not received evidence which, in their view, was sufficient to demonstrate that PHH will be prepared to close the transaction as of the anticipated closing date. However, the bondholders also have recognized that PHH is in the process of obtaining financing, both internally from investors, and externally from outside lenders, and that PHH has been making progress in doing so. A meeting has been scheduled for this week between representatives of the bondholders and PHH for the very purpose of providing the bondholders with evidence of PHH's financing. It's also important to note that the bondholders have advised the District that at such time as they

receive additional evidence from PHH concerning its ability to close the sale transaction, they will withdraw their objection. The Board of Directors is confident that the bondholders will withdraw their objections and that the District's Plan of Adjustment and its proposed sale to PHH will both be successfully implemented.

The bondholders have contended that PHH is not required to provide evidence of its ability to close the transaction. The ASA required PHH to provide the District with such evidence, and PHH has shared information with the District.