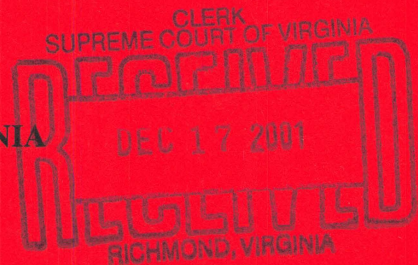


263 Va 520

IN THE
SUPREME COURT OF VIRGINIA
AT RICHMOND



RECORD NO. 011150

LASZLO N. TAUBER, LESLIE L. PETERS, IRWIN S. FREEDMAN, ESTATE OF SAMUEL BURTOFF, MICHAEL A. CORRADO, DAN J. FERIOZI, LESLIE P. GONDOR, REGINALD P. MCMANUS, MAGDOLNA A. IRANYI, ESTATE OF JAMES H. SCULLY, JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE, JEFFERSON MEMORIAL HOSPITAL, INC., JEFFERSON MEMORIAL HOSPITAL ASSOCIATES, JEFFERSON MEMORIAL HOSPITAL CORPORATION, JEFFERSON CORPORATION OF ALEXANDRIA, THE TAUBER FOUNDATION, and THE CHARITABLE REMAINDER UNITRUST,

Appellants-Respondents,

v.

COMMONWEALTH OF VIRGINIA, *ex.rel.*, RANDOLPH A. BEALES, ACTING ATTORNEY GENERAL OF THE COMMONWEALTH OF VIRGINIA; RANDOLPH A. BEALES, ACTING ATTORNEY GENERAL OF THE COMMONWEALTH OF VIRGINIA; and THE COMMONWEALTH'S ATTORNEY FOR THE CITY OF ALEXANDRIA,

Appellees-Complainants.

JOINT APPENDIX

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Department of the Treasury

Address any reply to DISTRICT DIRECTOR at office No. 5

CONFIDENTIAL

District Director
Internal Revenue Service

Date: MAR 29 1972 In reply refer to: L-146



Mr. Allen Baer, C. P. A.
1430 K Street, N. W.,
Washington, D. C. 20005

Dear Mr. Baer:

We are sending you the enclosed as provided in your power of attorney or other authorization. For your convenience the taxpayers involved are listed below.

Sincerely yours,
District Director

Enclosures:

- ☒ Letter(s)
☒ Report(s)
☐

Taxpayer(s): Jefferson Memorial Hospital Associates

Form L-146 (Rev. 9-70)

MMRW 012191

Trial Exhibit
No. 380.

JAPP.4065

Department of the Treasury

District Director
Internal Revenue Service

CONFIDENTIAL

Date: MAR 29 1972 | In reply refer to:
Code 420



Jefferson Memorial Hospital Associates
c/o Dr. L. N. Tauber
4600 King Street
Alexandria, Virginia 22300

Dear Taxpayer:

After examining your return(s) for the year(s) shown in the enclosed examination report, we believe tax liability adjustments may be necessary.

The effect of these proposed adjustments on the income tax liability of each partner, shareholder, beneficiary, or grantor will be shown in separate examination reports that will be sent to them.

If our findings are acceptable, please sign and return the enclosed acceptance form. I have enclosed a self-addressed envelope for your convenience.

If our findings are not acceptable, the grantor, or any one of the partners, shareholders, beneficiaries or the fiduciary, may request a review of the proposed adjustments. Their rights of appeal are explained in their examination reports.

Sincerely yours,
District Director

Enclosures:
Examination Report
Acceptance Form
Envelope

Form L-108 (Rev. 4-69)

MMRW 012192

J.APP. 4066

FORM 1907 (REV. JULY 1967)	U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PRELIMINARY STATEMENT	DATE OF REPORT 3/3/72
NAME OF TAXPAYER(S) Jefferson Memorial Hospital Associates		SHOW SOCIAL SECURITY OR EMPLOYER IDENTIFICATION NUMBER (Husband's number if joint return) 51-4002511

SUMMARY OF PROPOSED ADJUSTMENTS					
TAXABLE YEAR	INCOME TAX		OTHER TAX (Specify) DEFICIENCY OR OVERASSESSMENT	PENALTIES - INCREASE OR DECREASE	PARTNERSHIP, FIDUCIARY OR SMALL BUS. CORP. INCOME INCREASE OR DECREASE
	DEFICIENCY	OVERASSESSMENT			
12/31/66	\$	\$	\$	\$	\$ 62,212.59 ✓
12/31/67					\$ 6,836.57 ✓
TOTALS	\$	\$	\$	\$	\$ 129,049.16 ✓
NET DEFICIENCY OR OVERASSESSMENT		NAME OF EXAMINER		NAME OF TAXPAYER'S REPRESENTATIVE	
\$ None		Billy J. Landolt		Edward Krakow	
				AGREEMENT SECURED ☐ YES ☒ NO	

PRINCIPAL CAUSES OF CHANGES AND OTHER INFORMATION

The principal cause for changes herein is a decrease in depreciation claimed by the partnership.

At 1/1/65 the partnership, formerly known as King Street Joint Venture, reorganized and changed its name to Jefferson Memorial Hospital Associates. The reorganization did not constitute a termination of the partnership.

The exempt status of Jefferson Memorial Hospital, Inc. has been recommended to be revoked as of January 1, 1966. Since the actions of the partnership are responsible for the recommendation for revocation of the hospital's exempt status, contributions to the hospital are recommended to be disallowed. Reference Revenue Procedure 64-25, C.B. 1964-1 (Part 1), 694 and Revenue Procedure 68-17, IRB 1968-16, page 36.

SCHEDULES AND/OR EXHIBITS ATTACHED

GPO : 1967 O - 122-422

FORM 1907 (REV. 7-6)

PAGE 1

MMRW 012193

J.APP. 4067

Form 886-A (REV. MAY 1966) TRANSLUCENT	U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE EXPLANATION OF ITEMS	SCHEDULE NO. 62 EXHIBIT:
NAME OF TAXPAYER 1966 Memorial Hospital Building		YEAR ENDED/PERIOD 1966

1) Depreciation for 1966:
 Reported per return: \$12,364.45
 As corrected: \$12,364.45
 Net adjustment: \$0.00

Necessary to adjust to reflect a useful life of 60 years.
 Memorial Hospital Building of 60 years; to add to the building shell
 basis the following component parts: Plaster - \$51,660.00; Paint -
 \$12,315.12; Ceramic tile - \$17,710.55; Ceiling - \$22,450.12. The
 above results in a depreciable basis of the building shell in the
 amount of \$103,364.45.

It is necessary also to charge the useful lives of the following
 component parts of the building and the parking lot paving as indicated:

Plumbing	\$121,275.01	20 years	✓
Electrical	\$121,275.01	20 years	✓
Mechanical/Air Cond.	\$70,703.17	20 years	✓
Roofing	\$11,275.01	20 years	✓
Vinyl tile flooring	\$17,055.00	15 years	✓
Parking lot paving	\$12,364.45	20 years	✓

See Exhibit A for a computation of allowable depreciation.

FORM 986-A (REV. MAY 1963) TRANSLUCENT	U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE EXPLANATION OF ITEMS	SCHEDULE NO. 2 GENERAL YEAR ENDED/PERIOD
NAME OF TAXPAYER		CONFIDENTIAL

2) Decrease depreciation deduction on 1963

\$ 62,500.00

Reported per return

\$ 62,500.00

As corrected

-0-

Net adjustment

\$ 62,500.00 ✓

It is held that a certain sale and leaseback arrangement the partnership incurred with Jefferson Memorial Hospital, Inc. is not to be recognized for tax purposes; that the partnership is not the legal owner of equipment involved in the sale/leaseback arrangement and accordingly is not entitled to any depreciation on the equipment in question.

3) Decrease equipment rental income

\$ 17,500.00

Reported per return

\$ 17,500.00

As corrected

-0-

Net adjustment

\$ 17,500.00

It is held that a certain sale and leaseback arrangement the partnership incurred with Jefferson Memorial Hospital, Inc. is not to be recognized for tax purposes; that "rent" paid for the equipment in question is not to be regarded as income by the partnership. No adjustment (3) above.

FORM 8865 (REV. FEB. 1963)		U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PARTNERS' SHARES OF INCOME, DEDUCTIONS, AND CREDITS			SCHEDULE NO.	
NAME OF PARTNERSHIP					YEAR	
The George Washington Hospital Association					1963	
NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY INCOME (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS—SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT-TERM CAPITAL GAIN OR LOSS (6)	
(a) 579 12 21st Dr. L. W. Tenber 5300 Westford Ave. Bethesda, Maryland	\$ 7,201.96					
(b) 223 12 21st Dr. Leslie Gonder 3511 N. Braddock Rd. Arlington, Virginia	\$ 2,571.06					
(c) Dr. Samuel Turloff 201 12 21st 214 - 19th St. N.W. Washington, D.C.	\$ 2,571.07					
(d) Andrew Madas 5300 Westford Ave. Bethesda, Maryland	\$ 285.69					
(e) Bernard Kralow 2416 Harman Rd. Silver Spring, Maryland	\$ 285.69					
(f) 579 12 21st Dr. Charles W. Wufnagel c/o Georgetown U. Hospital Washington, D.C.	\$ 285.68					
TOTALS						

CONTINUATION							
PARTNERS	NET LONG-TERM CAPITAL GAIN OR LOSS (7)	NET GAIN OR LOSS UNDER SECTION 1231 (8)	NET EARNINGS FROM SELF-EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)							
(b)							
(c)							
(d)							
(e)							
(f)							
TOTALS							

FORM 886-S (REV. FEB. 1961)	U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PARTNERS' SHARES OF INCOME, DEDUCTIONS, AND CREDITS	SCHEDULE NO. 2

NAME OF PARTNERSHIP Jefferson Memorial Hospital	CONFIDENTIAL	YEAR 1961

NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY INCOME LOSSES (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS— SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT- TERM CAPITAL GAIN OR LOSS (6)
(a) Dr. Leslie Peters 347 24 6582 Washington Towers Arlington, Virginia	\$ 2,100.42				
(b) Mrs. L. M. Pugh 10840 Spring Knoll Dr. Potomac, Maryland	\$ 142.84				
(c) 013 12 1870 Dr. George Ware 1411 Highland Drive Silver Spring, Maryland	\$ 2,142.64				
(d) 577 38 3026 Dr. James Scully 5701 38th St., N.W. Washington, D.C.	\$ 1,571.27				
(e) Dr. Abbas Hashir 3213 Graham Road Falls Church, Virginia	\$ 285.58				
(f) 578 22 1090 Dr. Michael A. Corrado Rt. 2 Sterling, Virginia	\$ 2,142.64				
TOTALS					

CONTINUATION

PART- NERS	NET LONG- TERM CAPITAL GAIN OR LOSS (7)	NET GAIN OR LOSS UNDER SECTION 1231 (8)	NET EARNINGS FROM SELF- EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)							
(b)							
(c)							
(d)							
(e)							
(f)							
TOTALS							

FORM 886-S (REV. FEB. 1963)		U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PARTNERS' SHARES OF INCOME, DEDUCTIONS, AND CREDITS			SCHEDULE NO. 2	
NAME OF PARTNERSHIP Jefferson Memorial Hospital				YEAR 12/31/61		
NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY INCOME (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS - SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT-TERM CAPITAL GAIN OR LOSS (6)	
(a) 152 32 2954 Dr. Dan J. Feriozi 2222 N. Buchanan St. Arlington, Virginia	\$ 1,142.75					
(b) Dr. Irwin G. Freedman 1337 Kingston Ave. Alexandria, Virginia	711.21					
(c) 152 32 8195 Dr. Cesare Incecioli 9327 Pentland Place Fairfax, Virginia	1,428.42					
(d) 007 24 8015 Dr. Reginald P. McManus 5300 Juxon Place Springfield, Virginia	428.53					
(e) 226 62 9706 Dr. M. Roy Nicholson 10815 Arlington Blvd. Arlington, Virginia	711.21					
(f) 578 54 4555 Dr. Moutzer Sibay 6300 Leesburg Pike Falls Church, Virginia	711.71					
TOTALS	\$ 4,420.62					

CONTINUATION

PARTNERS	NET LONG-TERM CAPITAL GAIN OR LOSS (7)	NET GAIN OR LOSS UNDER SECTION 1231 (8)	NET EARNINGS FROM SELF-EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)	\$	\$	\$	\$	\$	\$	\$
(b)							
(c)							
(d)							
(e)							
(f)							
TOTALS							

FORM 886-S (REV. FEB. 1968)	U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PARTNERS' SHARES OF INCOME, DEDUCTIONS, AND CREDITS	SCHEDULE NO. 2

NAME OF PARTNERSHIP

Jefferson Medical Center, Inc.

CONFIDENTIAL

YEAR

12/31/66

NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY DIVIDENDS (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS- SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT- TERM CAPITAL GAIN OR LOSS (6)
(a) 12/1/55 Dr. Melvin D. Small c/o D.C. General Hospital Washington, D.C.	\$ 2,242.61				
(b) Dr. Michael M. Vlahos 205 Sterling Blvd. Sterling, Virginia	\$ 285.48				
(c)					
(d)					
(e)					
(f)					
TOTALS	\$ 2,528.09				

CONTINUATION

PART- NERS	NET LONG- TERM CAPITAL GAIN OR LOSS (7)	NET GAIN OR LOSS UNDER SECTION 1231 (8)	NET EARNINGS FROM SELF- EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)	\$	\$	\$	\$	\$	\$	\$
(b)							
(c)							
(d)							
(e)							
(f)							
TOTALS							

MMRW 012200

J.APP. 4074

FORM 886-A (REV. MAY 1966) TRANSLUCENT	U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE EXPLANATION OF ITEMS	SCHEDULE NO. 32 CARRY-OVER YEAR ENDED/PERIOD
NAME OF TAXPAYER CONFIDENTIAL		

1) Decrease depreciation on building \$1,500.00

Reported per return	\$ 65,000.00
As corrected	\$ 63,500.00
Net adjustment	\$ 1,500.00

See explanation of items, Schedule 31, adjustment (A) of this report. See also Exhibit 1.

2) Decrease depreciation on equipment \$51,706.88

Reported per return	\$ 52,206.88
As corrected	\$ 1,500.00
Net adjustment	\$ 53,706.88

To disallow depreciation on \$10,000 of equipment referred to in adjustment (B), Schedule 31 of this report.

3) Increase equipment rental income \$27,500.00

Reported per return	\$ 27,500.00
As corrected	-0-
Net adjustment	\$ 27,500.00

See adjustment (C), Schedule 31 of this report for an explanation.

NAME OF PARTNERSHIP

Jefferson Memorial Hospital Association

CONFIDENTIAL

YEAR

12/31/67

NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY INCOME (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS— SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT- TERM CAPITAL GAIN OR (LOSS) (6)
(a) 578 62 8106 Dr. F. M. Barker 5700 Westland Ave. Bethesda, Maryland	\$ 5,206.61				
(b) 229 60 3429 Dr. Leslie Condon 3541 N. Braddock Rd. Alexandria, Virginia	2,656.43				
(c) Dr. Samuel Burtoff 201 10 8917 916 - 19th St., N.W. Washington, D.C.	1,593.86				
(d) 578 44 1430 Dr. Charles A. Hufnagel c/o Georgetown U. Hospital Washington, D.C.	212.53				
(e) 367 36 6583 Dr. Leslie Peters Arlington Towers Arlington, Virginia	1,062.57				
(f) Mrs. Judith Madai 17860 Spring Knoll Dr. Potomac, Maryland	106.26				
TOTALS					

CONTINUATION

PART- NERS	NET LONG- TERM CAPITAL GAIN OR (LOSS) (7)	NET GAIN OR (LOSS) UNDER SECTION 1231 (8)	NET EARNINGS FROM SELF- EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)	\$	\$	\$	\$	\$	\$	\$
(b)							
(c)							
(d)							
(e)							
(f)							
TOTALS							

FORM 8865 (REV. FEB. 1965)		U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PARTNERS' SHARES OF INCOME, DEDUCTIONS, AND CREDITS			SCHEDULE NO. 1	
NAME OF PARTNERSHIP				YEAR		
CONFIDENTIAL						
NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY INCOME (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS- SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT- TERM CAPITAL GAIN OR LOSS (6)	
(a) 12 1878 Dr. George Ware 1411 Highland Drive Silver Spring, Maryland	\$ 1,593.86					
(b) 77 38 1026 Mr. James Bully 6701 16th St., N.W. Washington, D.C.	\$ 1,168.83					
(c) Dr. Albus Bashir 3213 Graham Road Falls Church, Virginia	\$ 210.52					
(d) 578 22 1090 Dr. Michael A. Corrado Pt. 2 Sterling, Virginia	\$ 2,593.86					
(e) 578 03 2954 Dr. Dan J. Ferlotti 2202 W. Buchanan St. Arlington, Virginia	\$ 950.06					
(f) Dr. Irwin S. Freedman 1337 Kingston Ave. Alexandria, Virginia	\$ 743.80					
TOTALS						

CONTINUATION							
PARTNERS	NET LONG- TERM CAPITAL GAIN OR LOSS (7)	NET GAIN OR (LOSS) UNDER SECTION 1221 (8)	NET EARNINGS FROM SELF- EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)	\$	\$	\$	\$	\$	\$	\$
(b)							
(c)							
(d)							
(e)							
(f)							
TOTALS							

FORM 886-5 (REV. FEB. 1968)		U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE PARTNERS' SHARES OF INCOME, DEDUCTIONS, AND CREDITS				SCHEDULE NO.
NAME OF PARTNERSHIP					YEAR	
Incorporated in Virginia					1968	
NAME AND ADDRESS OF EACH PARTNER (1)	ORDINARY DIVIDEND (2)	ADDITIONAL FIRST-YEAR DEPRECIATION (3)	PAYMENTS TO PARTNERS - SALARIES AND INTEREST (4)	QUALIFYING DIVIDENDS (5)	NET SHORT- TERM CAPITAL GAIN OR (LOSS) (6)	
(a) 22 8105 Dr. Cesare Lucicelli 2227 Westland Place Bedford, Virginia	1,062.57					
(b) 24 8015 Dr. Reginald P. McManus 2300 Juron Place Springfield, Virginia	219.77					
(c) 26 52 9706 Dr. M. Roy Nicholson 12815 Arlington Blvd. Arlington, Virginia	531.29					
(d) 28 51 1555 Dr. Mounzer Sibay 1300 Leesburg Pike Falls Church, Virginia	531.29					
(e) 28 12 6105 Dr. Melvin D. Small c/o D.C. General Hospital Washington, D.C.	1,593.86					
(f) Dr. Michael W. Vlahos 205 Sterling Blvd. Sterling, Virginia	212.50					
TOTALS	(21,052.48)	/				

CONTINUATION

PART- NERS	NET LONG- TERM CAPITAL GAIN OR LOSS (7)	NET GAIN OR LOSS UNDER SECTION 1231 (8)	NET EARNINGS FROM SELF- EMPLOYMENT (9)	EXPENSE ACCOUNT ALLOWANCE (10)	INVESTMENT CREDIT (11)	CHARITABLE CONTRIBUTIONS (12)	(13)
(a)	\$	\$	\$	\$	\$	\$	\$
(b)							
(c)							
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TOTALS							

NAME OF YACHTSMAN

УДАЛЕНИЕ

CONFIDENTIAL

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THE UNIVERSITY OF CHICAGO

67-10894-106

THE UNIVERSITY OF CHICAGO

WARRANT FOR ARREST

FORM 826-A (REV. 2004) TRANSLUCENT

⑤

MMRW 012206

J.APP. 4080



US Treasury Department

P. O. Box 10067

CONFIDENTIAL

Publication 1210-1000

Internal Revenue Service

Date:

In reply refer to

May 2, 1972

420/HAB

Mr. Allen Baer
Baer, Pannell and Perry
Public National Bank Building
Washington, D. C. 20005

Re: Jefferson Memorial Hospital Associates
Years: 1956 and 1957

Dear Mr. Baer:

Receipt is acknowledged of your letter dated April 25, 1972 in which you request a district conference to review the proposed adjustments for the above-named partnership.

Our procedural rules require that in cases with deficiencies of \$2500 or more that a formal protest, filed in accordance with instructions contained in the attached Internal Revenue Service Publication No. 5, be submitted before a district conference may be scheduled. Your protest should set forth in detail your reasons for disagreement with the agent's proposed adjustments.

An extension of time until June 1, 1972 is granted for the preparation of a protest.

Sincerely yours,

H. A. Brown
H. A. Brown
Chief, Conference Staff

Attachment

MMRW 012207

J.APP. 4081

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/831-2800

Joint Venture

February 26, 1974

Mr. Clair Parsons
Council, Buchanan & Mitchell C.P.A.'S
3900 Wisconsin Avenue, N.W.
Washington, D.C.

Dear Clair:

There has been a proposal made by a Stockholder of Jefferson Memorial Hospital Corporation, to sell the land and building of the Hospital to a non-related party and lease back the building and land for 10% of the purchase price for a period of 20-25 years.

There have been several questions asked about this proposal. I would like to have your professional opinion on these questions:

1. What will be the status of the existing mortgages at the time of sale? Will they have to be paid off?
2. What are the tax ramifications of this proposal as it concerns the hospital?

The purpose of this sale and leaseback arrangements is to provide the owners with a return on their investment. This brings us to another question.

3. How can the stockholders receive this money from the Corporation?

There has been one idea expressed which would actually involve two sales. The corporation would sell the land and building at book value to a partnership. This partnership would consist of the stockholders. The partnership would then sell its assets to a non-related party who would leaseback the land and building to the hospital.

TAUBER 19076

Trial Exhibit
No. 385.

J.APP. 4082

Page Two

4. What are the tax ramifications of this plan?

Please feel free to express any ideas which may prove valuable in achieving the objective of return to the stockholders.

Sincerely,

A handwritten signature in dark ink, appearing to read "R.K. Rytter", written over a horizontal line.

R.K. Rytter
Comptroller

RKR:pc

TAUBER 19077

J.APP. 4083

CONFIDENTIAL

COUNCILOR. BUCHANAN & MITCHELL
CERTIFIED PUBLIC ACCOUNTANTS

W. BALDWIN BUCHANAN
JAMES A. COUNCILOR
D. L. MITCHELL
EDNA HUMMER NICK
EUGENE H. STOSSEL
LOUIS C. COX
DONALD F. MCMULLEN
LEWIS F. BIBLE
SYDNEY J. LAWRENCE
THOMAS A. O'NEIL
C. BURNS HOLMBOEN
CLAIR A. PARSONS
GROVER S. RUSSELL JR.

3800 WISCONSIN AVENUE
WASHINGTON, D. C. 20016
TELEPHONE 827-6910

March 1, 1974

J.R. TAUBER

*See your letter to Mr. Richard Rytter -
He will call you
this.*

Mr. Richard Rytter, Comptroller,
Jefferson Memorial Hospital
4600 King Street,
Alexandria, Virginia. 22302

Dear Richard:

I am submitting below the answers to the questions in your letter of February 26, 1974 regarding a proposed sale and lease-back of the land and building now owned by the Hospital.

1. Status of the Existing Mortgage if Property Is Sold

Although I have not read the original mortgage contract, as you are aware, some mortgages may be assumed by the buyer. However, if the buyer does assume the mortgage, obviously, the cash collectible would be the difference between the sale price and balance of the mortgage note.

If the mortgage note is not assumed, its balance would have to be paid, otherwise the mortgage would not be secured as required by the savings and loan industry. Moreover, it is inconceivable that a buyer would purchase the property at the full sales price and have an existing lien on the property because of an unpaid mortgage.

2. Tax Aspects if Land and Building Are Sold to a Non-related Party at a Loss and Leased Back

The benefit of a sale at a loss is the realization of a deduction against ordinary income. However, the law provides that no gain or loss shall be recognized where the taxpayer exchanges property used in trade or business for property of a like kind for the same use. The Treasury Regulations state that for this purpose a "leasehold with 30 years or more to run" and "real estate" are property of like kind. Thus, no loss would be recognized to a vendor-lessee who leases back for 30 years or more. Besides, where there is a sale at a loss and a leaseback for a base term of less than 30 years, the existence of a renewal option may prevent deduction of the loss.

TAUBER 24545

Trial Exhibit
No. 386.

JAPP. 4084

CONFIDENTIAL

To: Mr. Richard Rytter, March 1, 1974.

3. Tax Aspects If Land and Building Are Sold to a Non-related Party at a Gain and Leased Back

The gain would be treated as capital gain and therefore taxed at the 30% rate. The rental payments would be deductible against ordinary income.

4. IRS Disregard of Sale and Leaseback

"Economic reality" rather than the specific language of legal documents frequently controls for tax purposes. For example, (1) Is the transfer of ownership of the property to the buyer permanent? (2) Is the period of the lease for an exceedingly long term? (3) What is the effect of the renewal option or a repurchase option, if any? and (4) Does the amount of rental bear a reasonable relationship to rentals being paid on similar commercial properties?

In addition, if the sales price is below the market value of the property, the transaction can be regarded as an exchange of the building in return for a cash consideration plus a valuable leasehold, or the entire transaction could be disregarded.

5. Stockholders' Ability to Receive Cash from the Corporation

Stockholders can only receive funds from the Corporation through dividends (disregarding salaries to officer-stockholders). This includes dividends from income and retained earnings or dividends from capital, either is a non-deductible cash outlay by the Corporation.

Regarding your last question whereas the Corporation would sell its land and building at book value to a partnership consisting of the Corporation's stockholders, if the partners were stockholders of the Corporation, no loss would be recognized, but if the fair market value of the building exceeded the book value, the excess would be treated as a dividend to the stockholders.

If you have any questions regarding the above, please do not hesitate to call me.

Sincerely yours,

Clair

Clair A. Parsons

TAUBER 24546

Joint venture L

COUNCILOR. BUCHANAN & MITCHELL
CERTIFIED PUBLIC ACCOUNTANTS

W BALDWIN BUCHANAN
JAMES A COUNCILOR
D L MITCHELL
EDNA HUMMER NICK
EUGENE H STOSSEL
LOUIS O COE
DONALD F McMULLEN
LEWIS F BIDDLE
SYDNEY J LAWRENCE
THOMAS A ONEIL
E BURNS MELINDON
CLAIR A PARSONS
GROVER B RUSSELL JR

3900 WISCONSIN AVENUE
WASHINGTON D C 20016
TELEPHONE 637-0910

April 13, 1974

Dr. Lazlo N. Tauber,
Jefferson Memorial Hospital,
4600 King Street,
Alexandria, Virginia. 22302

Dear Doctor Tauber:

I have studied the proposal of partial liquidation of the Hospital adopted at the March 13, 1974 Board of Directors Meeting which you furnished and am submitting below my opinion as to the possible tax consequences.

In order that the transfer may be classified as an exchange and thereby qualify for capital gain treatment, rather than be treated as a dividend subject to ordinary income tax rates, the consideration for the transfer would have to be the redemption of some capital stock in the hands of the transferees and also meet a test of Section 302b of the Internal Revenue Code which provides that the distribution be substantially disproportionate. Generally, a redemption is disproportionate if the shareholder's interest in the corporation's voting stock after the redemption is less than 50% of the voting stock and less than 80% of the interest he had before redemption.

Because the Internal Revenue Service carefully scrutinizes corporation distributions, I strongly recommend that after all of the details of the proposed stock redemption are worked out and the amounts are known, a ruling be obtained from the Service as to taxable status of such a redemption. Without a specific ruling, there are few transfers and redemptions of this nature where a taxpayer can rely with complete certainty on the capital gain treatment.

If you have any questions, please do not hesitate to let me know.

Very truly yours,

Clair A. Parsons

Clair A. Parsons

Trial Exhibit
No. 387.

TAUBER 19078



Bank of Virginia
Potomac

One Skyline Center
5205 Leesburg Pike
Falls Church, Virginia 22041

CONFIDENTIAL

Malcolm S. McDonald
Executive Vice President

August 8, 1974

Dr. Laszlo N. Tauber
Jefferson Memorial Hospital
4600 King Street
Alexandria, Virginia 22302

Dear Dr. Tauber:

I have checked through our file and have examined memoranda and letters regarding both the loan to you for the Canadian investment and the loans to the doctors for the Jefferson Memorial Hospital purchases. (Copies included). As you can see, the original loan to you was committed for two years at prime + 1½%. This was capped at 8% because of the usury problems in the State of Virginia. Since July 1, there is no longer a usury problem on loans to individuals used for business purposes. Therefore, in the renewal, we requested a return to the rate of prime + 1½% which is the original rate. The savings and loan association account was opened in July of 1972 and balances were drawn down periodically until the account was closed in May of 1973. We will be pleased to give you an extension of another six months but at the rate of prime + 1½%.

Referring to the memorandum to you on the Jefferson Memorial Hospital rights offering loan, the original interest rate was to be prime + 2%. Again, we were forced to keep this rate at 8%. The renewal which Dr. Peters discussed with you was at a return to the original rate of prime + 2%. In as much as the loan will be due in full in September, we will agree to carry Dr. Peters' loan at 8%, with the understanding that it would be paid in full at the next maturity. I am contacting Harry Trainor with a copy of this letter. Please advise Dr. Peters to go directly to Mr. Trainor.

If you would like to discuss any of the information in this letter, please call me.

Your truly

Malcolm S. McDonald

TAUBER 24556

Trial Exhibit
No. 387(a)

J.APP. 4087

CONFIDENTIAL

225 West Broad Street
Falls Church, Va. 22046

July 14, 1972

Laszlo N. Tauber, M. D.
5401 Westbard Avenue
Bethesda, Maryland

Dear Dr. Tauber,

We are please to inform you that Bank of Virginia -
Fairfax has agreed to accomodate your loan request subject
to the following terms and conditions:

1. The principal amount of the loan will be
\$60,000.00.
2. The loan will be made on a demand basis
with the understanding that full payment
will be made within two years from the date
of the note.
3. The interest rate will be 1½% over the
Bank of Virginia - Fairfax prime rate with
adjustments made on the first day of each
calendar quarter. Interest will be billed
and payable on a quarterly basis.

I would like to thank you for refering the Standard
Savings and Loan Association account to us and I have
enclosed the resolution and signature cards which are
necessary to open the account.

Please feel free to contact me if I may be of further
assistance.

Very truly yours,

Harry J. Trainor
Credit Officer

HJT:ss
Enclosure

TAUBER 24557

J.APP. 4088

CONFIDENTIAL

TO: Dr. Laszlo N. Tauber
FROM: Malcolm S. McDonald
SUBJECT: Jefferson Memorial Hospital Rights Offering
DATE: June 12, 1972

We understand that Jefferson Memorial Hospital is planning a rights offering to present stockholders of one share for every four shares presently held. You have asked us for financing for up to 24 doctors to provide up to a maximum of \$240,000.00 to finance the exercise of the stock purchases.

We will be pleased to finance these doctors on an individual basis based on their own financial condition with loans in the amount of the full purchase price. The loans will require payment of interest only for one year, and quarterly payments of 10% of the principal plus interest for the second year, with payment in full at the end of the second year. Interest will be at the prime rate of the Bank of Virginia - Potomac plus 2%, fluctuating quarterly. We will hold the stock purchased as collateral, and each doctor must submit a recent personal financial statement. Doctors who are married will be asked to provide their wife's signature on the loan, and will be required to open a personal checking account.

TAUBER 24558

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/591-2800

November 7, 1974

Roy Nicholson, M.D.
3215 Columbia Pike
Arlington, Virginia 22204

Dear Doctor Nicholson:

On October 29, 1974 at a special Stockholders meeting of Jefferson Memorial Hospital Corporation, the sale of the land and the building was approved. Subsequently, on November 6, 1974 at the Board of Directors Meeting the sales contract was approved and is to be presented for final action at the special Stockholders meeting on November 27, 1974 at 12:00 Noon.

In accordance with the agreement, I am forming a general partnership, acting as Trustee for the general partners. I am inviting every Stockholder to participate in this general partnership according to their percentage ownership of the stocks.

Your percentage of ownership is 3.30. Percentage participation requires \$2,400 per 1%.

Please notify me no later than the 15th of November whether you are willing to participate in this general partnership. If I do not receive an answer from you on/or before November 21, 1974, I regard that you are not willing to participate in the general partnership and your percentage will be offered to others.

I will Participate *W. Roy Nicholson*
Sincerely,

Leslie N. Tauber, M.D.
LESLIE N. TAUBER, M.D.

Trial Exhibit
No. 388.

TAUBER 21869

JEFFERSON MEMORIAL HOSPITAL
JOINT VENTURE AGREEMENT

January 2, 1975

Dear Doctor Surtoff:

At your request to participate in this venture, you are advised that the undersigned, Dr. Laszlo N. Tauber, purchased Jefferson Memorial Hospital building and land owned by the Hospital, 4600 King Street, Alexandria, Virginia. Participation in this joint venture will be under the following conditions:

1. The name of this venture will be known as the "Jefferson Memorial Hospital Joint Venture."
2. Title to the property will be held in the name of the Laszlo N. Tauber, M.D., Trustee, or in the name of Dr. Tauber as Trustee for all persons who come into the venture. Dr. Tauber will acknowledge the fact that you will be a beneficial owner to the extent of your participating interest, as a Tenant in Common.
3. This venture will be limited to this particular project.
4. Dr. Tauber will be in charge of all future construction activities, leasing, mortgaging and selling and other dealings with such land and proposed construction, if any. Dr. Tauber shall have the right to buy any equipment on a conditional bill of sale and shall have the further right to sign any and all documents in connection with this venture. You will have no voice in the construction or management as you will be an investor only.
5. The cost per one unit is as follows: 1% land, 1% building; \$2,400 above the 1% of the existing mortgage.

Whether the land is held and owned permanently by the joint venture or contributed to a charitable organization, all distributions of capital, income, loss, capital gains or capital losses or any additional cash capital required from each member shall be based upon ownership in the building.

Trial Exhibit
No. 389.

JAPP. 4091

6. Bank accounts will be opened and maintained in the name of "Jefferson Memorial Hospital Joint Venture," for the purposes of carrying on the every day business of the venture. Checks drawn on said accounts will be signed by Dr. Tauber. It is agreed that he shall not be required to furnish any evidence of his authority to open such account or accounts and to withdraw funds therefrom upon checks drawn and executed in the manner aforesaid, other than delivery to such bank or banks of an executed or photostatic copy of this letter of agreement.

7. Dr. Tauber will keep proper records of all construction activities in regard to the joint venture and will obtain and keep properly posted books of account relating to the business of the joint venture. Said records and books of account, as well as any and all bank accounts, checks, etc., of the joint venture will be kept available for your inspection at all reasonable times. Said records, books of account, construction contracts, mortgage commitments, etc., will be kept by Dr. Tauber in his office. He will select a reputable Certified Public Accountant to set up proper books of account and to periodically audit same, and prepare income tax returns. Copies of the audit reports and tax returns will be required to be used for each individual's share of the income for his own individual tax return. All costs involved shall be a joint venture expense.

8. It is understood by Dr. Tauber in the development of the construction activities, if any, and the obtaining of construction money and permanent mortgages required by the joint venture, that Dr. Tauber will be in charge of such activities and all decisions relating to such activities shall be made by him.

9. No purchaser of property from Dr. Tauber, nor any lender of money upon the security of any of the joint venture assets, shall be required to see to his authority to make a conveyance or obtain a loan upon the security of the property, or to see to his application of any purchase money or money loaned. Each purchaser or lender shall be entitled to

deal with him with respect to said property to all intents and purposes as though he were the actual owner thereof.

10. If you ever wish to sell your interest in the venture, you must first obtain Dr. Tauber's written approval. The Jefferson Memorial Hospital Joint Venture, by Dr. Tauber, shall have the first right to purchase your interest if you desire to sell by meeting any bona fide offer that you may obtain from other parties. You must submit your bona fide offer to Dr. Tauber together with the related documents and Dr. Tauber shall have 15 days in which to exercise the right of the joint venture to purchase your interest. If Dr. Tauber fails to exercise the right to buy for the joint venture, you shall be free to sell your interest. Any owner who wishes to assign his interest will also be required to obtain Dr. Tauber's written approval to convey his interest, which approval will not be unreasonably withheld. You shall have the right to bequeath your interest by your Will. Any subsequent owner, however obtained, shall be subject to this agreement.

11. Any major decision necessary or desirable in carrying out this joint venture, and for the determination of which no provision is herein made, shall be made by Dr. Tauber.

12. Your ownership interest shall be 11.000 % in the land and 11.000 % in the building.

13. The parties agree not to enter into any court action in any dispute which may arise at any time and agree that any dispute or controversy that cannot be amicably settled will be submitted to arbitration, each party to select and pay for one arbitrator, and if the arbitrators cannot agree, the arbitrators are to select a third arbitrator at the cost of both parties whose decision shall be final. The parties agree to abide by the decision of the arbitrators. It is agreed that the rights of the Trustee to act under the agreement shall not in any way be affected or modified during the arbitration.

14. Dr. Tauber will appoint successor Trustees, at a proper time, at his discretion. Dr. Tauber shall retain the right to substitute these successor trustees, and said trustees, or the successors to them, shall have the right to act by a majority vote as Trustee hereunder, with all rights and powers herein specified for Dr. Tauber.

15. The original cost for your 1 unit interest in the venture is \$2,400.00 above the existing mortgage.

16. The net rental income will be distributed monthly after payment of reserves for real estate taxes, insurance, reserves for replacement of assets, and any other reserves that may be required under the circumstance all within the discretion of Dr. Tauber.

If you agree with the above, please signify your acceptance by signing this letter where your name is indicated below and please have your signature witnessed and dated. After this has been done, please return this agreement to me for my signature, and after I have signed it, I will return a copy to you for your files.

The Memorandum Agreement of Sale and Lease Back are attached and it is a part of the above agreement.

Yours very truly,

JEFFERSON MEMORIAL HOSPITAL
JOINT VENTURE

By: Laszlo N. Tauber
Laszlo N. Tauber, M.D.
Trustee

ACCEPTED AND APPROVED THIS

11 DAY OF August, 1975.

Charles H. Trustoff
MEMBER
8/6/75
DATE

Harold A. Bostick
WITNESS

Social Security Number: 526-120-212

ADDENDUM

May 1, 1975

At the request of Jefferson Memorial Hospital, the original six months agreement was extended to September 1, 1975.

JEFFERSON MEMORIAL HOSPITAL
CORPORATION

By: Irwin S. Freedman
IRWIN S. FREEDMAN, M.D.
President

(Corporate Seal)

ATTEST:

By: Leslie L. Peters
LESLIE L. PETERS, M.D.
Secretary

Laszlo N. Tauber, M.D.
LASZLO N. TAUBER, M.D.
Trustee

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA - 22302
TELEPHONE: 703/631-2800

January 30, 1975

James H. Scully, M.D.
7712 Greentree Road
Bethesda, Maryland, 20034

Dear Doctor Scully:

The Board of Directors of Jefferson Memorial Hospital decided to compensate those Stockholders who purchased additional shares of stock in September of 1972. This action was made in appreciation for the emergency help which these Stockholders rendered to the Hospital to help avoid an embarrassing financial crisis. These Stockholders are entitled to exchange their shares to long term promissory notes or apply their shares in the transaction between the Hospital and Laszlo N. Tauber, M.D., Trustee, in acquiring the land and the building owned by the Hospital. The conversion is based on \$6.00 per share.

Those members who have not exercised their option in full to convert those stocks into long term note obligations are allowed to transfer their right individually to certain Stockholders of the Corporation. This letter is to advise you that you are one of the Stockholders to whom this privilege is granted and you are allowed to participate in this venture up to 5% which will require that 2,000 shares be transferred to Jefferson Memorial Hospital. This is, your stock ownership will be reduced by 2,000 shares and you will be 5% beneficial owner of the land and building which is to be purchased by our venture.

Thank you for your confidence.

Sincerely yours,

Laszlo N. Tauber, M.D.
_____
LASZLO N. TAUBER, M.D.
Trustee

LNT:kb

Trial Exhibit
No. 394.

TAUBER 21961

J.APP. 4096

MICHAEL A. CORRADO, M.D.

MICHAEL A. CORRADO, M.D.
RICHARD J. HART, JR., M.D.

INTERNAL MEDICINE
CARDIOLOGY

SEVEN CORNERS
MEDICAL ARTS BUILDING
2946 S. EIGHTH AVE. S.W.
FALLS CHURCH, VIRGINIA 22044
533-2012

March 24, 1975

Dr. Lazlo Tauber
Jefferson Memorial Hospital
Alexandria, Virginia

Dear Dr. Tauber:

In reference to the approved sale of the Jefferson Memorial Hospital Building and Land to stockholders, it has come to my attention that plans for the sale have been changed. I hereby wish to serve you with notice that according to our agreement the Jefferson Memorial Hospital Building and Land was to be distributed proportionately according to stock ownership. Furthermore, it was decided by the stockholders and reaffirmed by the new Board members that the subscribers in the secondary offering of \$240,000. will be able to convert the bonds which this represents to purchase their share of the hospital building and land. If a larger percentage would become available due to some members not exercising their option, then the unsold portion would again be purchased by stockholders, again according to the percentage of stocks held in the Corporation.

Any alteration from this arrangement I will find unacceptable and will oppose in every available legal means.

Sincerely,

M. A. Corrado

Michael A. Corrado, M.D.

TAUBER 24297

Trial Exhibit
No. 402.

JAPP. 4097

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2600

March 25, 1975

J. Thorpe Richards, Esquire
117 Fairfax Street, South
Alexandria, Virginia, 22314

Dear Thorpe:

I am sorry that I was not able to get in touch with you by telephone. Therefore, I am enclosing a photocopy of a letter from Dr. Connado. I think that he is totally wrong but I am sick and tired of being sued, therefore, before I do anything, I would like to ask your opinion.

My understanding is as follows:

1.) The purchase of the land and building is \$240,000 above the existing mortgage.

2.) The \$240,000 is to be paid either by cash or stocks respectively, bonds. However, it was decided that only those stocks can be used for this purpose which were issued on September, 1972, no other stocks or bonds are recognized for this transaction.

3.) Furthermore, anyone who purchased stocks in September, 1972 has three (3) options: a.) To keep the stocks; b.) to utilize part of his stocks to pay up to the percentage in the newly acquired building and land. For example: I purchased 25% of those stocks in September, 1972, it is 15,000 shares. The Board of Directors agreed that those stocks be converted to \$6.00 at face value. My 15,000 shares represent 25% of this newly issued stocks and since my percentage in the corporation is 25% therefore, I was allowed to participate up to 25% as maximum in the acquisition of the building and land. Since the \$60,000 to acquire 25% of the purchase price would require only 10,000 shares to be converted at \$6.00 per share. So I have the opportunity for the remaining 5,000 shares to be converted into newly issued hospital bonds or notes which will have maturity in 20 years and carrying interest of 8% annually and the conversion is based on \$6.00 value of each share. Furthermore, I have the option with this excess 5,000 shares to assign to other stockholders and let them use that right up to 5,000 shares to be converted for the purchase of interest in the building and land.

To summarize, I have 15,000 shares which are newly acquired. I used 10,000 shares to purchase 25% interest in the building and land and for my additional 5,000 shares, I selected to keep these shares so I increase my percentage in the Corporation and I assigned my right up to 5,000 shares to other stockholders. As I understand, Dr. Gondor did the same since it is our right to assign those rights to whomever we want. In the proposed action

TAUBER 21763

Trial Exhibit
No. 403.

J.APP. 4098

mentioned above, there is no misunderstanding as far as I know among the former and present members of the Board of Directors. The enclosed photocopy of Dr. Corrado's letter speaks for itself. The Board of Directors decided that the so called surplus percentage in the acquired building and land to be allocated according to my judgement to distribute to those stockholders who I feel deserve this excess percentage due to their continued support of the Hospital. The legal question is whether Dr. Corrado has any merit to his claim accusing me of preferential treatment to some of the Stockholders while at the same time disregarding his contribution to the Hospital. In my judgement, Dr. Corrado would be perhaps the last one whom I consider to obtain any excess of this not claimed percentage. If you feel that he has legal right to back it, naturally, I don't want to go to Court. His suggestion that every stockholder who wants to have more shares should be given an opportunity to buy additional shares according to their proportionate ownership, for instance, Dr. Corrado owns 9.72% and if the surplus is 10%, then he would get 0.972%.

I want to repeat it that I am very much against that Dr. Corrado get a single share beyond his percent since he did not support the Hospital in the past, present and I doubt his support in the future.

Please advise me.

Sincerely yours,

Laszlo N. Tauber, M.D.
LASZLO N. TAUBER, M.D.

TAUBER 2176-

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET. ALEXANDRIA VIRGINIA 22302
TELEPHONE 703/931-2600

May 29, 1975

Mounzer Sibay, M.D.
6305 Castle Place
Falls Church, Virginia 22033

Dear Doctor Sibay:

This letter is in response to your inquiry concerning your sale of and the concurrent purchase by the Hospital of 10,977 shares of Jefferson Memorial Hospital Corporation stock.

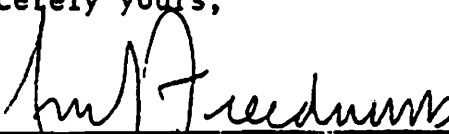
Based on your directed communication concerning the stock, the Hospital Corporation Board of Directors has authorized me to offer you the chance to repurchase the exact number of shares you sold the Hospital at the same price of \$4.00 per share, which you were paid by the Hospital at the time of sale. Therefore, you may purchase 10,977 shares of Jefferson Memorial Hospital Corporation stock at \$4.00 per share for a total purchase price of \$43,908.00.

To assist you in this undertaking, you may have the following terms or conditions:

Within 10 days of receipt of this registered letter, make a deposit of 10% of the total purchase price and within 30 days pay the remaining balance.

It is our fervent desire that you will once again become a Stockholder of Jefferson Memorial Hospital. This offer will remain in effect for 14 days following receipt of this letter.

Sincerely yours,


IRWIN S. FREEDMAN, M.D.
Hospital President

ISF:pc

MMRW 002958

Trial Exhibit
No. 403(a)

J.APP. 4100

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2600

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>CCC 127 THRU CCC 135</u>	<u>\$ 2,250</u>
<u>NONE</u>	<u>-0-</u>
<u>NONE</u>	<u>-0-</u>

SIGNED: Werner Prinz (SEAL)
WERNER PRINZ, M.D.

WITNESSED BY:

Karen A. Bostick

TAUBER 24474

Trial Exhibit
No. 406.

J.APP. 4101

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 27, 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>BBB 089 THRU BBB 108</u>	<u>\$ 10,000</u>
<u>CCC 011 THRU CCC 066</u>	<u>\$ 14,000</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED: Irwin S. Freedman (SEAL)
IRWIN S. FREEDMAN, M.D.

WITNESSED BY:

Nicki Shugartland

TAUBER 24489

J.APP. 4102

JEFFERSON MEMORIAL HOSPITAL

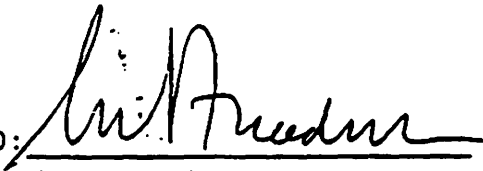
4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

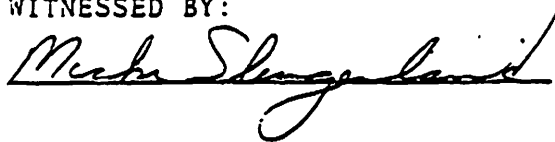
June 27, 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>BBB 089 THRU BBB 108</u>	<u>\$ 10,000</u>
<u>CCC 011 THRU CCC 066</u>	<u>\$ 14,000</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:  (SEAL)
IRWIN S. FREEDMAN, M.D.

WITNESSED BY:



TAUBER 24490

J.APP. 4103

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 051 THRU AAA 059</u>	<u>\$ 9,000</u>
<u>BBB 021 THRU BBB 024</u>	<u>\$ 2,000</u>
<u>CCC 003 THRU CCC 005</u>	<u>\$ 750</u>

SIGNED: Leslie Corrado (SEAL)
LESLIE CORRADO

WITNESSED BY:

Mark St. John

June 25 1975

TAUBER 24492

J.APP. 4104

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 051 THRU AAA 059</u>	<u>\$ 9,000</u>
<u>BBB 021 THRU BBB 024</u>	<u>\$ 2,000</u>
<u>CCC 003 THRU CCC 005</u>	<u>\$ 750</u>

SIGNED: Leslie Corrado (SEAL)
LESLIE, CORRADO

WITNESSED BY:

Mark St. John

June 25 1975

TAUBER 24493

J.APP. 4105

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 076 THRU AAA 084</u>	<u>\$ 9,000</u>
<u>BBB 025 THRU BBB 028</u>	<u>\$ 2,000</u>
<u>CCC 007 THRU CCC 009</u>	<u>\$ 750</u>

SIGNED: *Christopher Corrado* (SEAL)
CHRISTOPHER CORRADO

WITNESSED BY:

Mike Shugland

TAUBER 24494

JAPP. 4106

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 076 THRU AAA 084</u>	<u>\$9,000</u>
<u>BBB 015 THRU BBB 028</u>	<u>\$2,000</u>
<u>CCC 007 THRU CCC 009</u>	<u>\$750</u>

SIGNED: *Chris Corrado* (SEAL)
CHRISTOPHER CORRADO

WITNESSED BY:

Mike Stogdell

TAUBER 24495

J.APP. 4107

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA051 THRU AAA075</u>	<u>\$ 25,000</u>
<u>BBB021 THRU BBB024</u>	<u>\$ 2,000</u>
<u>CCC003 THRU CCC006</u>	<u>\$ 1,000</u>

SIGNED: Leslie Corrado (SEAL)
LESLIE CORRADO

WITNESSED BY:

Mike Shugland

TAUBER 24496

JAPP. 4108

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302

TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA051 THRU AAA075</u>	<u>\$ 25,000</u>
<u>BBB021 THRU BBB024</u>	<u>\$ 2,000</u>
<u>CCC003 THRU CCC006</u>	<u>\$ 1,000</u>

SIGNED: Leslie Corrado (SEAL)
LESLIE CORRADO

WITNESSED BY:

Michael Shugland

TAUBER 24497

J.APP. 4109

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA076 THRU AAA100</u>	<u>\$ 25,000</u>
<u>BBB025 THRU BBB028</u>	<u>\$ 2,000</u>
<u>CCC007 THRU CCC010</u>	<u>\$ 1,000</u>

SIGNED: Chris Corrado (SEAL)
CHRISTOPHER CORRADO

WITNESSED BY:

Mike Stigland

June 25 1975

TAUBER 24498

J.APP.4110

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA076 THRU AAA100</u>	<u>\$ 25,000</u>
<u>BBB025 THRU BBB028</u>	<u>\$ 2,000</u>
<u>CCC007 THRU CCC010</u>	<u>\$ 1,000</u>

SIGNED: Chris Corrado (SEAL)
CHRISTOPHER CORRADO

WITNESSED BY:

Mark England

June 25, 1975

TAUBER 24499

J.APP. 4111

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

Date June 5, 1975

I hereby acknowledge receipt of Jefferson Memorial Hospital
Corporation Stocks listed below from Dr. Conrad

Certificate
Number

Number of
Shares

155

4,685

156

4,685

_____

_____

_____

_____

_____

_____

_____

_____

Richard K. Rytter

TAUBER 24500

J.APP.4112

JEFFERSON MEMORIAL HOSPITAL

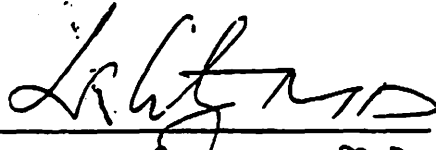
4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

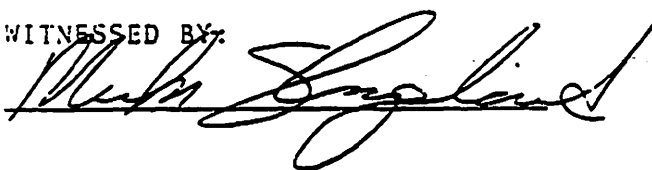
June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>BBB 133 THRU BBB 140</u>	<u>\$ 4,000</u>
<u>CCC 100 THRU CCC 102</u>	<u>\$ 750</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED:  (SEAL)
LASZLO CSATORY, M.D.

WITNESSED BY:



TAUBER 24503

J.APP. 4113

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

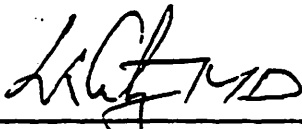
CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>BBB 133 THEN BBB 140</u>	<u>\$4,000</u>
<u>CCC 100 THEN CCC 102</u>	<u>\$ 750</u>
<u>NONE</u>	<u>-0-</u>

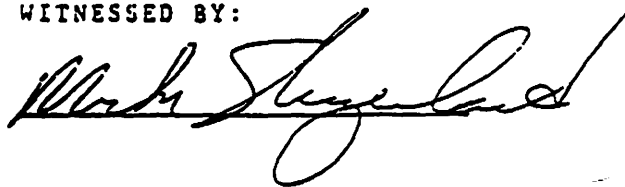
SIGNED:



(SEAL)

LASZLO CSATORY, M.D.

WITNESSED BY:



TAUBER 24506

JAPP. 4114

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 250</u>	<u>\$ 1,000</u>
<u>BBB 141 THRU BBB 146</u>	<u>\$ 3,000</u>
<u>CCC 106 THRU CCC 108</u>	<u>\$ 750</u>

SIGNED: *Dan Feriozi* (SEAL)
DAN FERIOZI, M.D.

WITNESSED BY:

Mitch Slagel
11/26/75

TAUBER 24507

J.APP. 4115

JEFFERSON MEMORIAL HOSPITAL

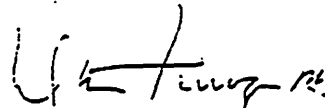
4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

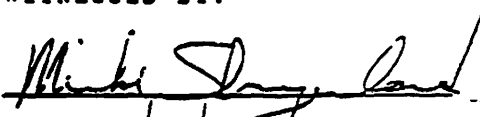
June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 250</u>	<u>\$1,000</u>
<u>BBB 141 THRU BBB 146</u>	<u>\$3,000</u>
<u>CCC 106 THRU CCC 108</u>	<u>\$750</u>

SIGNED:  (SEAL)
DAN FERIOZI, M.D.

WITNESSED BY:


11/26/75

TAUBER 24508

J.APP.4116

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 5, 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 101 THRU AAA 120</u>	<u>\$ 20,000</u>
<u>BBB 029 THRU BBB 048</u>	<u>\$ 10,000</u>
<u>NONE</u>	<u>-0-</u>

SIGNED: Leslie P. Gondor M.D. (SEAL)
LESLIE P. GONDOR, M.D.

WITNESSED BY:

Micki Stengel

TAUBER 24510

J.APP. 4117

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 5, 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 101 THRU AAA 120</u>	<u>\$20,000</u>
<u>BBB 029 THRU BBB 048</u>	<u>\$10,000</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:

Leslie P. Gondor (SEAL)
LESLIE P. GONDOR, M.D.

WITNESSED BY:

Mike Stenger

TAUBER 24511

J.APP. 4118

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/631-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 239</u>	<u>\$ 1,000</u>
<u>CCC 097 THRU CCC 099</u>	<u>\$ 750</u>
<u>NONE</u>	<u>—</u>

SIGNED:

Charles Hufnabel (SEAL)
CHARLES HUFNABEL, M.D.

WITNESSED BY:

Michael Shengland
12/9/75

TAUBER 24513

JAPP. 4119

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 239</u>	<u>\$1,000</u>
<u>CCC 097 THRU CCC 099</u>	<u>750</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:

Charles Hufnagel M.D.
CHARLES HUFNAGEL M.D.

WITNESSED BY:

Micki Stinger
12/9/75

TAUBER 24514

J.APP. 4120

JEFFERSON MEMORIAL HOSPITAL

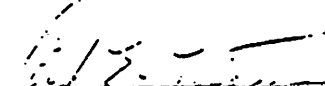
4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

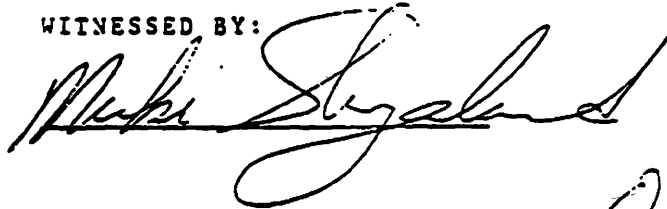
June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 236 THRU AAA 238</u>	<u>\$ 3,000</u>
<u>NONE</u>	<u>- 0 -</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED:  (SEAL)
CARL E. LINTON

WITNESSED BY:



Oct 31, 1975

TAUBER 24516

J.APP. 4121

JEFFERSON MEMORIAL HOSPITAL

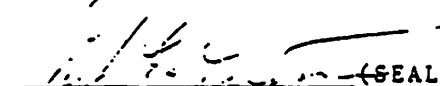
4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

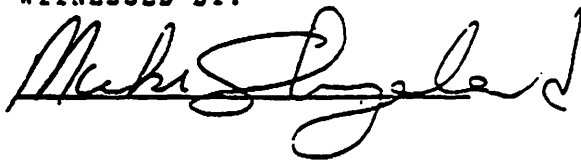
June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 236 THRU AAA 238</u>	<u>\$ 3,000</u>
<u>NONE</u>	<u>- 0 -</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED:  (SEAL)
CARL E. LINTON

WITNESSED BY:



OCT 31 1975

TAUBER 24517

J.APP. 4122

JEFFERSON MEMORIAL HOSPITAL

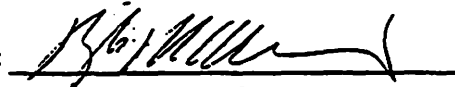
4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

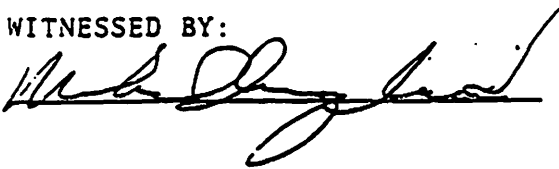
June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>CCC 110 then CCC 126</u>	<u>\$ 4,250</u>
<u>NONE</u>	<u>- 0 -</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED:  (SEAL)
REGINALD P. McMANUS, M.D.

WITNESSED BY:



TAUBER 24519

J.APP. 4123

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

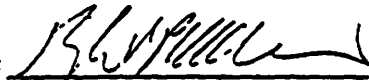
CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

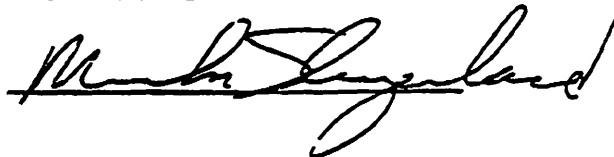
BOND NUMBER	AMOUNT
<u>CCC 110 THRU CCC 126</u>	<u>\$4250</u>
<u>NONE</u>	<u>- 0 -</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED:

 (SEAL)

REGINALD P. McMANUS, M.D.

WITNESSED BY:



TAUBER 24520

JAPP. 4124

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 191 THRU AAA 195</u>	<u>\$5,000</u>
<u>BBB 109 THRU BBB 114</u>	<u>\$3,000</u>
<u>CCC 086 THRU CCC 090</u>	<u>\$1,250</u>

SIGNED: M. Roy Nicholson
M. Roy NICHOLSON, M.D.

WITNESSED BY:

Richard J. Tauber

TAUBER 24523

J.APP. 4125

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2600

CONFIDENTIAL

June 20 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 196 THRU AAA 230</u>	<u>\$ 35,000</u>
<u>BBB 115 THRU BBB 122</u>	<u>\$ 4,000</u>
<u>CCC 091 THRU CCC 094</u>	<u>\$ 1,000</u>

SIGNED: Leslie L. Peters
TAUBER (SEAL)
LESLIE L. PETERS, M.D. LTO
PENSION PLAN

WITNESSED BY:

Richard K. Ryth

TAUBER 24325

JAPP. 4126

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2600

CONFIDENTIAL

June 20, 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 196 THRU AAA 199</u>	<u>\$ 4,000</u>
<u>BBB 115 THRU BBB 122</u>	<u>\$ 4,000</u>
<u>CCC 091 THRU CCC 093</u>	<u>\$ 750</u>

SIGNED: Leslie L. Peters (SEAL)
LESLIE L. PETERS M.D. LTO
PENSION PLAN

WITNESSED BY:

Richard K. Rytch

TAUBER 24526

J.APP. 4127

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 20, 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 231 THRU AAA 235</u>	<u>\$5,000</u>
<u>BBB 123 THRU BBB 132</u>	<u>\$5,000</u>
<u>CCC 095 AND CCC 096</u>	<u>\$ 500</u>

SIGNED: Leslie L. Peters (SEAL)

LESLIE L. PETERS, M.D.

WITNESSED BY:

Richard Z. Rife

TAUBER 24527

J.APP. 4128

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 20, 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 231 thru AAA 235</u>	<u>\$ 5,000</u>
<u>BBB 123 thru BBB 132</u>	<u>\$ 5,000</u>
<u>CCC 095 AND CCC 096</u>	<u>\$ 500</u>

SIGNED: Leslie L. Peters (SEAL)
LESLIE L. PETERS, M.D.

WITNESSED BY:

Richard Z. Ryt

TAUBER 24528

J.APP. 4129

JEFFERSON MEMORIAL HOSPITAL

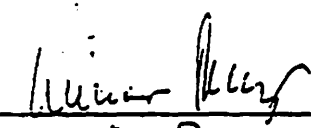
4000 KING STREET. ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>CCC 127 thru CCC 135</u>	<u>\$ 2,250</u>
<u>NONE</u>	<u>-0-</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:  (SEAL)
WERNER PRINZ, M.D.

WITNESSED BY:

_____

TAUBER 24530

J.APP. 4130

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>CCC 127 THRU CCC 135</u>	<u>\$2,250</u>
<u>NONE</u>	<u>-0-</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:

Werner Prinz (SEAL)
WERNER PRINZ, M.D.

WITNESSED BY:

James A. Bostick

TAUBER 24532

J.APP. 4131

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE. 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 240 THEN AAA 249</u>	<u>\$ 10,000</u>
<u>CCG 103 THEN CCG 105</u>	<u>\$ 750</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED: *James H. Scully* (SEAL)
JAMES H. SCULLY, M.D.

WITNESSED BY:

Michael Shenguland
12/10/75

TAUBER 24533

J.APP. 4132

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 240 THRU AAA 249</u>	<u>\$ 10,000</u>
<u>CCC 103 THRU CCC 105</u>	<u>\$ 750</u>
<u>NONE</u>	<u>-0-</u>

SIGNED: _____

James H. Scully, M.D. (SEAL)

WITNESSED BY:

Mike England
12/19/75

TAUBER 24534

J.APP. 4133

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 121 thru AAA 160</u>	<u>\$40,000</u>
<u>BBB 049 thru BBB 088</u>	<u>\$20,000</u>
<u>NONE</u>	<u>-0-</u>

SIGNED: Laszlo N. Tauber, M.D. (SEAL)
LASZLO N. TAUBER, M.D.

WITNESSED BY:

Michael Stenzel

TAUBER 24536

J.APP. 4134

JEFFERSON MEMORIAL HOSPITAL.

4600 KING STREET. ALEXANDRIA. VIRGINIA 22302
TELEPHONE 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 121 THEN AAA 160</u>	<u>\$ 40,000</u>
<u>BBB 049 THEN BBB 088</u>	<u>\$ 20,000</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:

Laszlo N. Tauber

(SEAL)

LASZLO N. TAUBER, M.D.

WITNESSED BY:

Michl Stenger

TAUBER 24537

J.APP. 4135

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 161 THEN AAA 164</u>	<u>\$ 4,000</u>
<u>CCC 067 THEN CCC 084</u>	<u>\$ 4,500</u>
<u>NONE</u>	<u>- 0 -</u>

SIGNED: Michael M. Vlahos M.D. (SEAL)
MICHAEL M. VLACHOS, M.D.

WITNESSED BY:

Richard S. Rafter

TAUBER 24539

J.APP. 4136

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/831-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 161 THRU AAA 190</u>	<u>\$30,000</u>
<u>CCC 067 THRU CCC 085</u>	<u>\$ 4,750</u>
<u>NONE</u>	<u>-0-</u>

SIGNED: Michael M. Vlahos (SEAL)
MICHAEL M. VLACHOS, M.D.

WITNESSED BY:

Richard X. Pythe

TAUBER 24544

J.APP. 4137

JEFFERSON MEMORIAL HOSPITAL

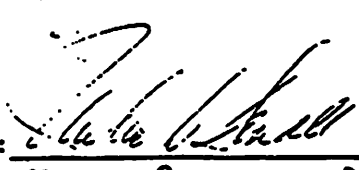
4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>BBB 147 THRU BBB 150</u>	<u>\$2,000</u>
<u>CCC 109</u>	<u>\$250</u>
<u>NONE</u>	<u>-0-</u>

SIGNED:  (SEAL)
MELVIN SMALL, M.D.

WITNESSED BY:



TAUBER 24562

J.APP. 4138

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 1975

I heroby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>BBB147 thru BBB150</u>	<u>\$ 2,000</u>
<u>CCC 109</u>	<u>\$ 250</u>
<u>None</u>	<u>-0-</u>

SIGNED:

Melvin Small, M.D.

(SEAL)

MELVIN SMALL, M.D.

WITNESSED BY:

Micki Slingerland

TAUBER 24563

J.APP. 4139

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 12, 1975

I hereby relinquish the Jefferson Memorial Hospital Corporation bonds scheduled below for my interest in the Jefferson Memorial Hospital Joint Venture.

BOND NUMBER	AMOUNT
<u>AAA 001 THRU AAA 015</u>	<u>\$ 16,000</u>
<u>BBB 001 THRU BBB 020</u>	<u>\$ 10,000</u>
<u>CCC 002</u>	<u>\$ 250</u>

SIGNED:

Samuel Burtoff Trust
SAMUEL BURTOFF TRUST

(SEAL)

WITNESSED BY:

Richard W. Knight

TAUBER 24566

J.APP. 4140

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

June 12 1975

I hereby acknowledge receipt of the Jefferson Memorial
Hospital Corporation Bonds scheduled below:

BOND NUMBER	AMOUNT
<u>AAA 001 THRU AAA 050</u>	<u>\$50,000</u>
<u>BBB 001 THRU BBB 020</u>	<u>\$10,000</u>
<u>CCC 001 THRU CCC 002</u>	<u>\$ 500</u>

SIGNER

Samuel Gurtoff
SAMUEL GURTOFF TRUST

WITNESSED BY:

R. L. S. R. H.

TAUBER 24574

J.APP. 4141

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

September 25, 1975

Laszlo N. Tauber, M. D.
Jefferson Memorial Hospital
4600 King Street
Alexandria, Virginia 22302

Dear Doctor Tauber:

At a Special Meeting of the Stockholders of Jefferson Memorial Hospital Corporation on September 10, 1975, a motion was carried to permit the Stockholders to exchange 20% of their shares to newly issued bonds with a maturity date of twenty (20) years from the date of issue, paying 8% interest with a ratio of \$6.00 per share. This right to convert stock to bonds would be transferable.

We are sending you this letter and giving you 30 days from the date of the letter to express your desire to exercise this option or assign it. Please send your response not later than October 25, 1975 to Mr. Linton, Administrator, Jefferson Memorial Hospital, 4600 King Street, Alexandria, Virginia 22302.

Sincerely,


IRWIN S. FREEDMAN, M. D.
President

ISP/cas

Thank you, I would like to keep my shares

Laszlo N. Tauber, M.D.

TAUBER 24368

Trial Exhibit
No. 409.

J.APP.4142

MICHAEL A. CORRADO M.D.

MICHAEL A. CORRADO, M.D.
RICHARD J. HART, JR., M.D.

INTERNAL MEDICINE
CARDIOLOGY

SEVEN CORNERS
MEDICAL APPTS. BUILDING
2946 SLEEPY HOLLOW ROAD
FALLS CHURCH, VIRGINIA 22044
533-2012

October 1, 1975

Mr. Carl Linton
Jefferson Memorial Hospital
4600 King Street
Alexandria, Virginia

Dear Mr. Linton:

I would like to exercise my right to convert 20% of my
shares in Jefferson Memorial Hospital to bonds. The conversion
would include the complete conversion of the 1915 shares held
by Michael A. Corrado, M.D., LTD. Pension Fund.

Sincerely,



Michael A. Corrado, M.D.

MAC:mac

Address: RFD 1, Box 197
Sterling, VA 22170

TAUBER 24370

Trial Exhibit
No. 410.

J.APP.4143

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/831-2800

CONFIDENTIAL

December 8, 1975

Leslie Peters, M.D.
1701 North Ft. Myer Drive
Suite 101
Arlington, Virginia 22209

Dear Doctor Peters:

This will confirm my conversation with you on Thursday, December 4, 1975, relative to your Jefferson Memorial Hospital Corporation Bonds. You had two questions. The first concerned interest paid during 1975 and the second question dealt with the number and amount of bonds held by you.

The Hospital Records show you have been issued and hold \$51,250 in bonds. These bonds were issued on two separate dates. Your earlier issue was registered to Leslie L. Peters, M.D., LTD, Supplemental Pension Fund, with an issue date of July 15, 1974. This issue included Bond Series A032-A035 inclusive; A151-166 inclusive, each for \$1,000 with a combined total of 20 bonds valued at \$20,000. Interest was paid on these bonds in February and May 1975. The February interest included interest due as of November 30, 1974, as well as, interest for December 1974, and January 1975, which were 2 months in which the bonds were in default. Default was brought about during the period in which the Delaware Corporation was legally assuming the assets and liabilities of the Maryland Inc. Interest paid in February 1974 was \$1,066.67 which was interest due for 8 months. Interest was again paid as of May 30th on these said bonds in the amount of \$533.33 which was interest due for 4 months. Both of these checks were issued to Leslie L. Peters, M.D., LTD. Supplemental Pension Plan.

Your second and last bond issue was registered to Leslie L. Peters, M.D., LTD, Pension Plan with an issue date of June 1975. This issue included Bond Series AAA-200 - AAA-230 inclusive, each for \$1,000 and Bond Series CCC-094 in the amount of \$250.00, with a combined total of thirty-one thousand dollars bonds, and 1 two hundred and fifty dollar bond with a total of Series AAA and CCC bonds in the amount of \$31,250. Interest on these bonds was paid on November 30, 1975 in the amount of \$1,250.00. The Hospital Accounting Department issued one check in November, in the amount of \$2050, as payment for interest on both your bond issues. This check includes \$800 interest on bonds registered to Leslie L. Peters, M.D., LTD. Supplemental Pension Plan and \$1,250 for interest on bonds registered to Leslie L. Peters, M.D., LTD, Pension Plan.

TAUBER 24682

Trial Exhibit
No. 420.

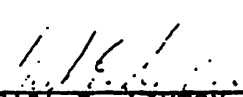
J.APP. 4144

CONFIDENTIAL

LESLIE L. PETERS, M.D.
Page Two

With regard to additional bonds which you indicated you hold, I was unable to find such list in the Hospital Bond Registry. Should your records indicate you have Jefferson Memorial Hospital Corporation bonds which have not been listed above in this letter, please list the Serial Number, date of issue, and name in which requested.

Sincerely,


_____
CARL E. LINTON
Administrator

CEL:pc

TAUBER 24683

J.APP. 4145

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

December 22, 1975

Melvin D. Small, M.D.
5021 Seminary Road
Alexandria, Virginia, 22311

Dear Doctor Small:

This letter is per your request, it describes the transactions relative to the Hospital's redemption of stocks for bonds. Further it describes your use of such bonds as payment of your liability to the Hospital, as one of the partners of the Jefferson Memorial Hospital Joint Venture.

The Hospital Stockholders have authorized the Board of Directors to redeem all stock issued in the 1972 offering. Payment for such stock was authorized to be made with Jefferson Memorial Hospital Corporation bonds bearing 8% interest over the 15 year life of said bond. In addition, holders of the 1972 stock issue were given the option of either exchanging all or part of their 1972 stock for prior issued Corporation stock, with other stockholders who held such prior issues and who agreed to the exchange.

Laszlo N. Tauber, M.D. offered 400 shares of his 1972 stock issue for 400 shares of your 1971 stock issue. You accepted his offer and delivered to the undersigned, Jefferson Memorial Hospital Corporation stock certificates all registered to Melvin D. Small, M.D., number 69 for 2,000 shares, number 70 for 1,199 shares, and number 91 for 67 shares.

The Hospital thereupon registered the transaction by withdrawing your stock certificate number 70 for 1,199 shares, issuing Dr. Tauber a certificate for 400 shares of 71 stock issue and issuing you two stock certificates numbered 207 for 400 shares of the 1972 stock issue, and number 208 for 799 shares of the 1971 stock issue. The two certificates equal the 1,199 shares withdrawn from you in certificate number 70.

The Hospital honored your request to have your 400 shares of the 1972 issue, redeemed at \$6.00 per share for bonds. The Hospital issued to you Jefferson Memorial Hospital Corporation bonds numbered BBB-147 - 150, each for \$500 and CCC 109 for \$250 with an aggregate total of \$2,250. Since your stock had a value of \$2,400 and the lowest bond denomination is for \$250, you are due \$150.00 in cash which is paid herewith by check.

As a partner in the Jefferson Memorial Hospital Corporation Joint Venture with a 1% holding, you owe the Hospital \$2,400. The Hospital agrees to accept payment in bonds or cash and hereby accepts your \$2,250 of said bonds plus endorsement of the \$150.00 check mentioned above as payment to the Hospital

TAUBER 24559

Trial Exhibit
No. 422.

J.APP.4146

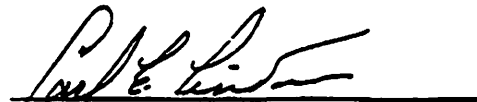
CONFIDENTIAL
of your Jefferson Memorial Hospital Corporation Joint Venture liability

To signify your acceptance of this transaction, the Hospital requires your signature on enclosures A and B attached. Enclosure A certifies that you acknowledge receipt of the bonds and enclosure B certifies that you relinquished said bonds to Jefferson Memorial Hospital Corporation as payment for your interest in the Joint Venture. Naturally, your paymer also requires the endorsement of the Jefferson Memorial Hospital Corporation check for \$150.00.

In addition, I am returning to you stock certificates number 69, for 2,000 shares, number 91 for 67 shares which were not required in this transaction and certificate 208 for 799 shares which is the remaining unused shares of certificate 70.

I sincerely trust that this letter satisfactorily documents the actions which have taken place.

Sincerely yours,


_____
CARL E. LINTON
Administrator

CEL:kb
Encl. (5)

TAUBER 24

JAPP. 4147

JEFFERSON MEMORIAL HOSPITAL
4600 KING STREET ALEXANDRIA VIRGINIA 22302
TELEPHONE 703/931-2800

March 9, 1976

Irwin S. Freedman, M. D.
Chairman, Board of Directors
Jefferson Memorial Hospital Corporation
4600 King Street
Alexandria, Virginia, 22302

Dear Irv:

This letter is to confirm our conversation. A few days ago a copy of the Minutes of the Board of Directors meeting was forwarded to me and there are a few things I would like to call to the attention of each member of the Board.

Any budget increases should be authorized by a special Stockholders meeting for the fiscal year since the Board exceeded their amount allotted for expenditure. I would like to call your attention to the fact that the Board approved a $4\frac{1}{2}\%$ raise for the employees and at the same time recommended an increase in compensation for the Board of Directors by $82\frac{1}{2}\%$. I don't think that it was wise even if the members feel it was fully justified. One member of the Board asked me to abstain from voting but I am sorry to inform you that I just cannot do it. I will vote against it but it is my advice that the Board should accept my advice rather than to fight it in a Stockholders meeting.

As far as the Stockholders' meeting is concerned, please remind each and every single Stockholder including the members of the Board that when the building and land was repurchased by the Stockholders in their proportionate ownership of the stocks as well as the right to convert 20% of their stock into bonds, it constitutes definite, undeniable dividends on their stock investment.

Any future income should be converted as follows:

- 1.) To improve the working conditions at Jefferson Memorial Hospital, for better compensation of the employees which in turn will improve the attitude towards the patients and physicians:
- 2.) To secure competent, well paid House Staff:
- 3.) To improve our physical plant and give plenty of room for expansion.

TAUBER 00362

Trial Exhibit
No. 424.

J.APP.4148

If we meet our financial obligations, then we can discuss dividends. It should be clear to everyone that no dividends are in sight until all these criteria are met. Any promises contrary to this principle will raise false hope, disappointment and frustration which we certainly don't need.

As far as the organization of Union within the Hospital, that is the employees privilege whatever they want to do, but I want to put my feelings into writing. I'm personally definitely not for it, there are much better ways to make the employees happy than to push them towards union organization.

Since I am not an officer of the Corporation or a member of the Board of Directors, this letter is written to you only in my capacity as the largest single Stockholder in the Corporation.

With warmest personal regards,

Sincerely,



LASZLO N. TAUBER, M. D.

LNT:kb

TAUBER 00363

J.APP. 4149

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/831-2800

April 7, 1976

Dear Board Member:

Doctor Freedman, Chairman of the Board of Directors and President of the Hospital Corporation, informed me that for financial reasons, he cannot afford to continue to serve as President of the Corporation and Chairman of the Board of Directors. Since I was the first one whom he informed about this decision, we agreed that Dr. Goald and Dr. Kauffman will be informed about his decision by him and Drs. Burtoff, Gondor, Iranyi and Peters by me. The first reaction to my contact was that under no condition that a Hospital of this size could afford to raise the salary of the Chairman of the Board of Directors from \$13,000 to \$35,000. However, subsequent discussions with Dr. Burtoff and Dr. Gondor forced me to write this letter to the Board members.

Unfortunately, I have to leave the city today, and I cannot express my opinion verbally, therefore I want to put the record straight and have my remarks permanently recorded. The selection of Dr. Freedman as Chairman of the Board of Directors and President of the Hospital Corporation was initiated by me and I definitely want to see him serve in this capacity since I cannot see anyone else who would devote the time and ability to compare to his achievements. However, the request for his continued service creates an extremely difficult situation. After lengthy talks with Dr. Freedman, I understand his concern, that as a physician he cannot take a cut by reducing his private practice and quoting him, the 8 hours work that he puts in the Hospital per week, means 8 hours loss in his office and \$35,000 would mean only a compensation for the lost earnings. The \$35,000 compensation for a year for 8 hours work per week which is only 1/5 of 40 hour fulltime employment, would mean that the base of compensation of the Chairman would be 5 times \$35,000 as a yearly base for fulltime employment or equal to \$175,000. I don't see how Blue Cross, Medicaid and Medicare, the Stockholders, employees of the Hospital (don't forget that we are profit-making Stock Corporation where we have the responsibility towards other Stockholders) would accept such a decision by the Board.

I want to disregard any remarks made by some members of the Board about my activity where I, very affectionately was called "The Stockholder." Let me summarize my standing of the issue openly. First, Dr. Freedman is willing to serve in his capacity until July 1, 1976 at which time a new fiscal year starts when this Board will have the full power to spend up to \$50,000 in the budget without the approval of "The Stockholder" and the other Stockholders. Therefore, if this Board feels that I am the only one to be blamed if

TAUBER 00357

Trial Exhibit
No. 425.

J.APP. 4150

this raise is not approved, I would like to give you the advice to just wait until July 1st and vote for the increase of compensation of the Chairman as well as a raise for the different members of the Board. By doing so, all the Stockholders will be excluded in this vital decision. In this way, Dr. Freedman will not be accused that he is playing the card to me by his resignation because in another 4 or 5 years I will be out anyhow.

Furthermore, at this point, I would like to make a recommendation to this Board. If the Board feels that my presence as a practicing surgeon in this Hospital handicaps the financial success of the Hospital by distracting other surgeons to bring their patients here, I am willing to resign from the Medical Staff immediately. I am sick and tired of the continuous double talk which comes to me directly or indirectly. I stated many times that to change the non-profit to profit making was a great mistake so I put on the record that this small Hospital cannot survive without the full-hearted support of every single person working with this place. The time is long gone that this size of a Hospital can survive with the lack of House Staff which would put us in line with the other larger area Hospitals. Any money spent for the compensation of employees and the establishment of a strong House Staff is the only hope for our survival.

The Board of Directors, in my opinion, is to set policy and not to police it. There is no need for the Chairman of the Board to spend 8 hours a week here. This Board or any other Board's duty and privilege is to set up Hospital policy and instruct the Hospital Administrator, who is paid, to do the job. I am convinced that 90% of the work of the Chairman of the Board of Directors is taken up with small insignificant work which should not even be the concern of the Board of Directors. It would be much wiser to support the Administrator in his effort to carry out the policy of the Board. The assistance of the Vice Presidents for Financial and Medical Affairs would easily supplement the work load of the Chairman. All of us are aware of the great work of Dr. Freedman for which he should be congratulated, but I don't see how his request can be met by any other way than what I have outlined above. After a discussion with Dr. Freedman, we concluded that maybe the Board is better served to change its Chairman every year and to establish a line of succession which will be recommended to the Stockholders. I personally would support the election of the same Board and take the seniority so that Dr. Burtoff would succeed as Chairman and President of the Corporation and in the line of succession would be Drs. Gondor, Peters, Iranyi, Kauffman and Gald.

One member of the Board of Directors asked me about any other alternatives. The only message that I can give you is that unless we stick together, the only step which will inevitably follow is to sell the Hospital directly or indirectly (either to merge or outright sale). I ask all of you for the benefit of the Hospital, don't create a vacuum by double talk, come out straight forward.

TAUBER 00358

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET ALEXANDRIA VIRGINIA 22302
TELEPHONE 703/931-2900

May 20, 1976

Leslie L. Peters, M.D.
1701 North Ft. Myer Drive
Suite 101
Arlington, Virginia 22209

Dear Doctor Peters:

This will confirm my offer and request to the Board of Directors made at their meeting on May 19, 1976. I offer and would appreciate being able to either convert my stocks to bonds, or to have the Hospital either redeem or sell my stock to a 3rd Party.

I hereby authorize the Hospital to convert all my Jefferson Memorial Hospital stocks registered in my name to 20 year bonds at \$6.00 per share. If possible, I would prefer the hospital to redeem my stock or sell it to a 3rd Party as indicated above. I therefore, authorize the Hospital to redeem or act as Agent in selling my stock at the price of \$5.00 per share.

This authorization is limited in time to 90 days. Thank you for your kind consideration and assistance on this matter.

Cordially yours,

Cesare Luccioli M.D.

==

CESARE LUCCIOLI, M.D.

CL:pc

MMRW 002959

Trial Exhibit
No. 426(a)

JAPP.4153

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET ALEXANDRIA VIRGINIA 22302
TELEPHONE 703/931-2800

April 22, 1976

Dear Doctor Tauber:

I fully appreciate your position and I want to make clear that the differences between you and me were fully discussed and no further discussion is necessary, and our differences are not reconcilable.

During the transition period of the next four to eight weeks, I and members of my group will continue to use the services of the hospital. We want to make this period as orderly as possible for you, the hospital, and my group.

Therefore, it will be much better for all concerned if our points of disagreement are not discussed with members of my group. If you want to discuss any of our problems, I would really appreciate you talking to me directly about them, and I will as I have always been pleased to talk with you.

As to your comment to Dr. Waltuch about the hospital being in the "red", I want to point out that the hospital has shown a net profit last year and is showing a net profit this year to date, of more than \$150,000.00. The only added financial burden the hospital has had over the last year is the payment of bond interest for the 20% stock conversion to bonds which you had put through and approved by the Stockholders.

Sincerely yours,

(S) Irwin S. Freedman, M.D.
IRWIN S. FREEDMAN, M.D.

TAUBER 00356

Trial Exhibit
No. 426(b)

J.APP.4154

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

Bond Redemption Agreement

I, Leslie L. Peters, M.D., sell to JMH Corporation for \$20,000.00
JMH Inc. Bonds listed below as of June 30, 1976.
The Bonds being due on June 1, 1985 with a face value of \$1,000.00
each with the series numbers being:

A-032
A-033
A-034
A-035
A-151
A-152
A-153
A-154
A-155
A-156
A-157
A-158
A-159
A-160
A-161
A-162
A-163
A-164
A-165
A-166

for a total face value of \$20,000.00.

Leslie L. Peters
Date: 6 30 76

witness: Michi Stangerland

TAUBER 24661

Trial Exhibit
No. 428.

J.APP. 4155

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

CONFIDENTIAL

Bond Redemption Agreement

I, Leslie L. Peters, M.D., sell to JMH Corporation for \$10,000.00
JMH Inc. Bonds listed below as of June 30, 1976.

The Bonds being due October 1, 1983 with a face value of \$1,000.00
each with the series numbers being:

AA-089
AA-090
AA-091
AA-092
AA-093
AA-094
AA-095
AA-096
AA-097
AA-098

for a total face value of \$10,000.00.

Leslie L. Peters
Date: 6 30 76

witness: Micki Singerland

TAUBER 24662

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE 703/931-2800

CONFIDENTIAL

BOND REDEMPTION AGREEMENT

I, Harold J. Goald, M.D., sell to Jefferson Memorial Hospital Corp. for \$4500.00, Jefferson Memorial Hospital, Inc. Bonds listed below as of June 30, 1976.

The bonds being due June 1, 1985 with a face value of \$500.00 each with the series numbers being:

B - 281

B - 282

B - 283

B - 284

B - 285

B - 286

B - 287

B - 288

B - 289

B - 290

for a total face value of \$5000.00.

Witness: Miki Sturgisland Date: 6/23/76
HAROLD J. GOALD, M.D. Harold J. Goald

TAUBER 24606

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET. ALEXANDRIA. VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

Bond Redemption Agreement

I, Samuel Burtoff, M.D., sell to JMH Corporation for \$1,000.00
JMH Inc. Bonds listed below as of June 30, 1976.
The bonds being due June 1, 1985 with a face value of \$500.00
each with the series numbers being: B-144
B-145

for a total face value of \$1,000.00.

witness:

Date: 7/6/76

TAUBER 24706

J.APP. 4158

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/831-2600

CONFIDENTIAL

Bond Redemption Agreement

I, Samuel Burtoff, M.D., sell to JMH Corporation for \$2,000.00
JMH Inc. Bonds listed below as of June 30, 1976.
The Bonds being due June 1, 1985 with a face value of \$1,000.00
each with the series numbers being: A-026
A-027

for a total face value of \$2,000.00.

Date: 7/6/76

witness: W. bi England

TAUBER 24707

J.APP. 4159

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/531-2800

CONFIDENTIAL

Bond Redemption Agreement

I, Leslie L. Peters, M.D., sell to JMH Corporation for \$10,000.00
JMH Inc. Bonds listed below as of June 30, 1976.

The Bonds being due October 1, 1985 with a face value of \$1,000.00
each with the series numbers being:

AA-089
AA-090
AA-091
AA-092
AA-093
AA-094
AA-095
AA-096
AA-097
AA-098

for a total face value of \$10,000.00.

Leslie L. Peters
Date: 30 76

witness: Mark Stengerland

TAUBER 24708

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

CONFIDENTIAL

Bond Redemption Agreement

I, Leslie L. Peters, M.D., sell to JMH Corporation for \$20,000.00
JMH Inc. Bonds listed below as of June 30, 1976.
The Bonds being due on June 1, 1985 with a face value of \$1,000.00
each with the series numbers being:

A-032
A-033
A-034
A-035
A-151
A-152
A-153
A-154
A-155
A-156
A-157
A-158
A-159
A-160
A-161
A-162
A-163
A-164
A-165
A-166

for a total face value of \$20,000.00.

Date:

witness: Micki Slungland

TAUBER 24709

JAPP. 4161

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET. ALEXANDRIA. VIRGINIA 22302
TELEPHONE: 703/831-2800

204505-1

BOND REDEMPTION AGREEMENT

I, Harold J. Goald, M.D., sell to Jefferson Memorial Hospital Corp. for \$4500.00, Jefferson Memorial Hospital, Inc. Bonds listed below as of June 30, 1976.

The bonds being due June 1, 1985 with a face value of \$500.00 each with the series numbers being:

B - 281

B - 282

B - 283

B - 284

B - 285

B - 286

B - 287

B - 288

B - 289

B - 290

for a total face value of \$5000.00.

Witness: M. K. Stangor Harold J. Goald, M.D.
Date: 6/23/76

TAUBER 24710

J.APP. 4162

JEFFERSON MEMORIAL HOSPITAL MEDICAL BUILDING JOINT VENTURE

January 2, 1978

Sava Nedelcovych, M.D.
5622 Columbia Pike
Falls Church, Virginia 22041

Dear Doctor Nedelcovych:

At your request to participate in this venture, you are advised that the undersigned, Dr. Laszlo N. Tauber, is in process to erect a Medical Office Building in connection with Jefferson Memorial Hospital, 4600 King Street, Alexandria, Virginia. Participation in this joint venture will be under the following conditions:

1. The name of this venture will be known as the "Jefferson Memorial Hospital Medical Building Joint Venture."
2. The purpose will be to develop the building in the best profitable manner, as may be determined by Dr. Tauber.
3. Title to the property will be held in the name of the Laszlo N. Tauber, M.D., Trustee, for all persons who come into the venture. Dr. Tauber will acknowledge the fact that you will be a beneficial owner to the extent of your participating interest, as a Tenant in Common. (See Schedule "A")
4. This venture will be limited to this particular project.
5. Dr. Tauber will be in charge of all construction activities, leasing, mortgaging and selling and other dealings, if any. Dr. Tauber shall have the right to buy any equipment on a conditional

Trial Exhibit
No. 447.

JAPP.4163

1 of sale and shall have the further right to sign any and all documents in connection with this venture. You will have no voice in the construction or management as you will be an investor only.

6. The cost per gross square foot equals \$25.00 (more or less, to be determined after construction is completed). No cash will be required for ownership in the building project at the present time. All building costs will be determined at time of completion of the building.

7. Bank accounts will be opened and maintained in the name of "Jefferson Memorial Hospital Medical Building Joint Venture" for the purpose of carrying on the every day business of the venture. Checks drawn on said accounts will be signed by Dr. Tauber. It is agreed that he shall not be required to furnish any evidence of his authority open such account or accounts and to withdraw funds therefrom upon checks drawn and executed in the manner aforesaid, other than delivery to such bank or banks of an executed or photostatic copy of this letter of agreement.

8. Dr. Tauber will keep proper records of all construction activities in regard to the joint venture and will obtain and keep properly posted books of account relating to the business of the joint venture. Said records and books of account, as well as any and all bank accounts, checks, et., of the joint venture will be kept available for your inspection at all reasonable times. Said records, books of account, construction contracts, mortgage commitments, etc., will be kept by Dr. Tauber in his office. He will select a reputable Certified Public Accountant to set up proper books of account and to

periodically audit same, and prepare income tax returns. Copies of the audit reports and tax returns will be required to be used for each individual's share of the income for his own individual tax return. All costs involved shall be a joint venture expense.

9. It is understood that Dr. Tauber will be in charge of the construction activities and all decisions relating to such activities shall be made by him.

10. No purchaser of property from Dr. Tauber, nor any lender of money upon the security of any of the joint venture assets, shall be required to see to this authority to make a conveyance or obtain a loan upon the security of the property, or to see to his application of any purchase money or money loaned. Each purchaser or lender shall be entitled to deal with him with respect to said property to all intents and purposes as though he were the actual owner thereof.

11. If you ever wish to sell your interest in the venture, you must first obtain Dr. Tauber's written approval. The Jefferson Memorial Hospital Medical Building Joint Venture, by Dr. Tauber shall have the first right to purchase your interest if you desire to sell by meeting any bona fide offer that you may obtain from other parties. You must submit your bona fide offer to Dr. Tauber together with the related documents and Dr. Tauber shall have 15 days in which to exercise the right of the joint venture to purchase your interest. If Dr. Tauber fails to exercise the right to buy for the joint venture, you shall be free to sell your interest. Any owner who wishes to assign his interest will also be required to obtain Dr. Tauber's written approval to convey his interest, which approval will not be unreasonably withheld. You shall have the right to bequeath your interest by your will. Any subsequent owner, however obtained, shall be subject

his agreement.

12. Any major decision necessary or desirable in carrying out this joint venture, and for the determination of which no provision is herein made, shall be made by Dr. Tauber.

13. Your ownership interest shall be 1,508 square feet of gross building area.

14. The parties agree not to enter into any court action in any dispute which may arise at any time and agree that any dispute or controversy that cannot be amicably settled will be submitted to arbitration, each party to select and pay for one arbitrator, and if the arbitrators cannot agree, the arbitrators are to select a third arbitrator at the cost of both parties whose decision shall be final. The parties agree to abide by the decision of the arbitrators. It is agreed that the rights of the Trustee to act under the agreement shall not in any way be affected or modified during the arbitration.

15. In the event of the incapacity of Dr. Tauber, he shall retain the right to nominate successor trustees, and said trustees, or the successors to them, shall have the right to act by a majority vote as Trustee hereunder, with all rights and powers herein specified by Dr. Tauber.

SCHEDULE "A"

1. Your ~~share of the common~~ areas and area designated on the attached plan is 2.2256 %.

2. Additional Charges: Cost of the Architect's fee, finance charges, and tenant work per attached schedule are to be paid by you above the stated amount of \$25.00 per square foot of the gross area.

If you agree with the above, please signify your acceptance by signing this letter where your name is indicated below and please have your signature witnessed and dated. After this has been done, please return this letter to me for my signature, and after I have signed it, I will return a copy to you for your files.

A. Payment of your obligation to be made:

a. Cash

(b) Cash plus note

B. Letter Agreement between Jefferson Memorial Hospital Joint Venture and Jefferson Memorial Hospital Medical Building Joint Venture.

With kind personal regards, and hoping that this will be a highly successful venture, I am

Yours very truly,

BY: Laszlo N. Tauber, M.D.
LASZLO N. TAUBER, M.D.
Trustee

ACCEPTED AND APPROVED THIS

DAY OF January 2, 1978

Sam H. Shalman, M.D.
MEMBER

May 9th, 1978
DATE

Sam H. Shalman
WITNESS

JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE
4600 KING ST.
ALEXANDRIA, VIRGINIA 22302

November 21, 1979

James N. Scully, M.D.
7712 Greentree Road
Bethesda, Maryland 20034

Dear Doctor Scully:

Our records indicate that the interest which you hold in the Jefferson Memorial Hospital Joint Venture is registered in the following name at the address shown:

James N. Scully, M.D.
7712 Greentree Road
Bethesda, Maryland 20034

If the above registration is incorrect, please enter the correct name or names and address in which you desire your interest registered.

JAMES H. SCULLY, M.D.
MARIETTA M. SCULLY
7712 GREENTREE ROAD
BETHESDA, MD 20034

In addition, please verify or enter your correct "Identification Number" for the Internal Revenue Service so that your "K-1" can be properly filed with the IRS. Our records indicate that your identification number is 577-38-3026. If this is incorrect, please enter below the correct number. IRS I.D. Number _____

Very truly yours,

Lazlo N. Tauber, M.D.
LASZLO N. TAUBER, M.D.
Trustee

I certify that the Registration Information as well as my IRS number is as typed or as changed in pen and appearing in this letter is correct.

James H. Scully, M.D.
PARTNER'S SIGNATURE

Trial Exhibit
No. 451.

TAUBER 21982

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/931-2800

May 29, 1980

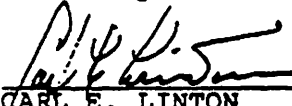
Samuel Burtoff, M.D.
916 19th Street, N.W.
Washington, D.C. 20006

Dear Doctor Burtoff:

This is in response to your inquiry regarding the value of Jefferson Memorial Hospital stock in 1976 and how that value was established. As you know the Hospital stock is not listed with any exchange or Brokerage House.

The method used as you may recall, was based on rather recent sales of two comparable sized hospitals in the Northern Virginia area. Circle Terrace with only 105 beds, which is smaller than Jefferson Memorial Hospital's 120 beds, was sold to the Hospital Corporation of America in August of 1972 for \$4,300,000. If this sale price of Circle Terrace had been distributed to Jefferson Memorial Hospital Stockholders, the 207,814 shares would have been worth \$20.69 per share. Then in January 1976, Commonwealth Doctors Hospital, which is a little larger than Jefferson Memorial Hospital, was sold for \$7,500,000. If we applied this sale price to the 207,814, Jefferson Memorial Hospital shares, they would have been valued at \$36.09 per share. Thus, it was suggested at the time that a fair market price for Jefferson Memorial Hospital stock should be at least \$15.00 and not more than \$30.00 per share. So to be on the conservative side it was agreed that \$15.00 per share would be very reasonable.

Sincerely,


CARL E. LINTON
Administrator

CEL:pc

TAUBER 24323

Trial Exhibit
No. 453.

J.APP.4169

JEFFERSON MEMORIAL HOSPITAL

4800 KIRK STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703 / 531-0700

December 7, 1981

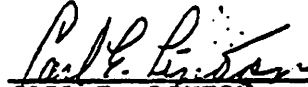
Samuel Burtoff, M.D.
916 19th Street, N.W.
Washington, D.C. 20006

Dear Doctor Burtoff:

As you requested last week I am at this time, furnishing you information on a proposal regarding the purchase of Jefferson Memorial Hospital's Common Stock which was made a short time past, which will far exceed the \$15.00 per share which you contributed earlier to the Tauber Foundation.

Should you need additional information, I will be glad to have the hospital's Certified Public Accountant, Mr. David Mermelstein, confer with you and provide such data.

Very truly yours,


CARL E. LINTON
Administrator

CEL:pc

TAUBER 24322

Trial Exhibit
No. 455.

J.APP. 4170

JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE
4600 King Street
Alexandria, VA 22302

December 12, 1990

Dear Member of Jefferson Memorial Hospital Joint Venture:

In reference to our lease of the Jefferson Hospital properties to Fairfax Hospital Corporation ("FHC"), some issues have to be discussed which seem to be quite urgent. Most of our partners are either retired or completely disinterested in the future of our Lease. Last week there was a detailed article about the Capital Hill Hospital owned by the Washington Hospital Corporation organization. They would like to convert it from an acute care hospital to one that serves the chronically ill. The same could happen with our hospital as well. I protected our lease in one respect in that FHC cannot convert any acute bed to serve the chronically ill patient unless they do it proportionately at Fairfax Hospital. The danger in letting them do this is that the value of our building will decrease considerably when our lease term expires. It is quite possible that if we let them convert acute beds, we decrease the amount of acute beds so much that a nationwide regulation could state that any hospital with 70 or 80 beds should be closed as an acute hospital. In that case Fairfax Hospital can take the comfortable position that they did not do anything to hurt us and then we will have no claim against them.

This is one side of the story. The other side is that with the low census it makes it almost impossible for them to keep the hospital with so many unoccupied beds. It is a shame that the doctors still practicing and collecting large amounts of cashflow from the rental property don't support the hospital.

My suggestion is as follows. Either FHC is willing to extend a firm lease by 10 years until 2015 and let them do whatever they want to do and after 2015 they walk away from the contract and we have to realize that the value of a nursing home is less than an acute care hospital.

Directly and indirectly I have tried to persuade our partners to support the hospital but unfortunately with no success. Read my letter carefully and you will learn that by collecting rental payments and not supporting the hospital is jeopardizing our survival and you will receive no return at all.

TAUBER 13962

Trial Exhibit
No. 156.

J.APP.4171

December 12, 1990
Page 2

This letter is written to you mainly to prevent any criticism from any of you as to what we should do. I don't want to be blamed later because of the lack of your interest and cooperation. Those doctors who have retired cannot do anything to help us. Those who do not support us, I want to inform them that they should take the blame that they deserve. The more we support the survival of FHC, the more we support our investment.

Sincerely yours,

Laszlo N. Tauber, M.D.
Laszlo N. Tauber, M.D.

P.S. Please write to me your thoughts about this letter.

TAUBER 13963

J.APP. 4172

Jefferson Memorial Hospital J.V.

Nils Antezana, M.D.
2830 Arizona Avenue, N.W.
Washington, D.C. 20016

Beauregard Associates
3450 N. Beauregard Street, #1
Alexandria, VA 22302

Wilfrido Buhain, M.D.
6300 Stevenson Avenue, #B
Alexandria, VA 22304

Bruce D. Burtoff, M.D.
3618 N. Albermarle Street
Arlington, VA 22207

Barbara E. Burtoff
4201 Cathedral Avenue, N.W.
Suite 614 West
Washington, D.C. 20016

Constance M. Burtoff
4701 Willard Avenue, #1425
Chevy Chase, MD 20815

Samuel Burtoff Trust
4200 Massachusetts Avenue
Apartment #503
Washington, D.C. 20016

Lawrence Clark, M.D.
4600 King Street
Alexandria, VA 22302

Michael A. Corrado, M.D.
Route 5, Box 620
Sterling, VA 22170-9299

Christopher Corrado
RFD #1, Box 197
Sterling, VA 22170

Leslie Corrado
RFD #1, Box 197
Sterling, VA 22170

Abraham A. Coster, DPM
3541 West Braddock Road
Alexandria, VA 22302

Ms. Christina Csatory
243 W 70th Street
New York, New York 10023

Laszlo K. Csatory, M.D.
1913 Windsor Road
Alexandria, VA 22307

Michael Davidov, M.D.
311 Park Avenue
Falls Church, VA 22046

W. Morgan Delaney, M.D.
1224 Tudor Place
Alexandria, VA 22307

Narendra Desai, M.D.
3450 North Beauregard Street
Alexandria, VA 22302

Nicholas Ellyn, M.D.
4600 King Street, 6A
Alexandria, VA 22302

Dan J. Feriozi, M.D.
6008 Copley Lane
McLean, VA 22101

Harold J. Goad, M.D.
4600 King Street, 5L
Alexandria, VA 22302

Leslie P. Gondor
3541 W. Braddock Road
Alexandria, VA 22302

Carlos M. Hecker, M.D., IRA
9504 Laurin Court
Vienna, VA 22180

Estate of Charles Hufnagel, M.D.
c/o M.F. Curtin, Esquire
1900 M Street, N.W., #601
Washington, D.C. 20036

Kuhn & Kogan Venture
c/o Israel Kogan, M.D.
2405 Eye Street
Washington, D.C. 20037

Drs. Won Ro Lee and Kyung Ja Lee
3450 Beauregard Street
Alexandria, VA 22302

Lucio Luccioli, M.D.
4600 King Street, #5E
Alexandria, VA 22303

Reginald P. McManus, M.D.
5300 Juxon Place
Springfield, VA 22151

Sava Nedelcovych, M.D.
4600 King Street, 5P
Alexandria, VA 22302

Kamal O'Kail, M.D.
4810 Beauregard Street, #104
Alexandria, VA 22302

Leslie L. Peters, M.D.
551 South Polk Drive
Sarasota, FL 34236

Werner Prinz, M.D.
6240 Lakeview Drive
Falls Church, VA 22041

Michael Redlick, M.D.
4600 King Street, #6R
Alexandria, VA 22302

Mrs. Klari Rudnai
5600 Wisconsin Avenue, #1005
Chevy Chase, MD 20815

R.F. Sappington, Jr., M.D.
4600 King Street, #4E
Alexandria, VA 22302

Walter Scheetz, M.D.
North Arundel Hospital
301 Hospital Drive
Glen Burnie, MD 21061

James H. Scully, M.D.
7712 Greentree Road
Bethesda, MD 20034

TAUBER 13964

William T. Spence, M.D.
6001 Bullrun Road
Centerville, VA 22020

Michael M. Vlahos, M.D.
P.O. Box 236
Sterling, VA 22170

Estate of George W. and Joan Ware
1411 Highland Drive
Silver Spring, MD 20910

TAUBER 13965

JAPP. 4174

LASZLO N. TAUBER, M.D., F.A.C.S., F.I.C.S.

JEFFERSON MEMORIAL HOSPITAL
4600 KING STREET SUITE 2C
ALEXANDRIA, VIRGINIA 22302

(703) 998 4801

December 8, 1991

Re: Reorganization of the Jefferson Memorial
Hospital Joint Venture

Dear Investor:

Fairfax Hospital System ("FHS") approached me several weeks ago to buy out their present contract due to the fact that the extremely low census at Jefferson Hospital creates for them an annual loss of approximately \$1,500,000.

FHS recently purchased a "repossessed" office building several blocks from Fairfax Hospital which they will use for their headquarters. They paid \$12,700,000. for the building. I told them that I would consider a swap whereby we would own the headquarters building with a firm lease based on the present lease at Jefferson. However, the lease would be extended to 25 or 30 years. The present Jefferson lease will expire in November, 2005. The new lease would expire either in 2016 or 2021. They said that they would discuss this option with the consulting group that advises them on such issues and they would let me know by the end of the year. If the swap cannot be accomplished, the lease stays as is with the uncertainty of how long FHS can keep the building open as an acute care hospital.

FHS did not fulfill our expectation that the overflow patients from Fairfax Hospital would be transferred to Jefferson. This is only one part of the problem. Many of the doctors who have a financial interest in the Hospital either don't support the Hospital at all or not enough. I have made many attempts to advise the investors of the future problems we would face but with no positive action. I have no intention of explaining to the investors still in practice that to secure their investment they must support Jefferson.

At the time we built the Hospital we had no office building but in 1979 we extended our plant by erecting an office building and an extension to the Hospital (North Wing). The original owners of the offices invested money in expectation that their office would be adjacent to an acute care hospital. If FHS discontinues the use of the Hospital as an acute care facility, the value of the office will decrease considerably. The following plan was introduced to many of the partners and approximately 90% ownership have approved it.

TAUBER 10444

Trial Exhibit
No. 457.

J.APP.4175

The original Group A (Hospital) and Group D (4th Floor) partners will be called Group A in the new venture. Those members are as follows with their corresponding percentage interest in the new Group A. The percentage interest in the new venture was calculated by taking the partners current annual income ÷ 1,375,000 = new percentage interest.

<u>Partner</u>	<u>Percentage Interest in the new venture</u>
Tauber, Laszlo	15.82
Tauber Foundation	9.31
Tauber, Ingrid	1.46
Tauber, Alfred	1.46
Davidov, Michael	3.19
Rollins, Samuel	5.41
Peters, Leslie	2.73
Peters, Leslie IRA	7.27
Sappington, R.F.	3.84
Burtoff Trust, Samuel	8.87
Goald, Harold	0.25
Nedelcovych	0.20
Gondor, Leslie	7.95
Corrado, Michael	2.65
Corrado, Leslie	3.53
Corrado, Christopher	3.53
Burtoff, Bruce	0.87
Burtoff, Barbara	0.87
Burtoff, Constance	0.87
Vlahos, Michael	1.63
Vlahos, Michael Pen.	3.63
Scully, James	4.50
McManus, Reginald	2.70
Csatary, Laszlo	1.53
Csatary, Christina	0.47
Feriozi, Dan	1.46
Coster, A.A.	0.73
Prinz, Werner	0.73
Buhain, Wilfrido	0.64
Hufnagel, Estate of Charles	0.563
Kuhn & Kogan Venture	0.50
Rudnai, Klari	0.68
Delaney, W. Morgan	0.082
Desai, Narendra	0.032
Scheetz, Walter	<u>0.043</u>
Total	100.000

TAUBER 10445

J.APP. 4176

In order to compensate the owners of the offices, the doctors who are listed as owners of office spaces in the Medical Office Building as of September, 1979, will consolidate their holdings into the new venture. Their interest in the former venture will be converted into a total of 14.6% interest in the new venture. These partners will be known as Group E partners. They will not have ownership of the office, but they will lease it.

The conversion is based on a value of \$100 per net square foot. The total square footage is $26,563 \times \$100 = \$2,656,300$ total value which is converted into 14.6% of the new venture. Therefore, the following partners will own 14.6% of the 100% of the new partnership. The formula for calculating the percentage of square footage owned by each individual is the net square footage $\div$ 26,563 (total square footage) = percentage of square footage in building. \$2,556,300 represents 14.6% of the venture. The available cash to be distributed is \$1,610,066 per year which is equal to \$16,100.66 per 1%. The former office owners will receive \$235,069.64 total per year. The distribution will be calculated $\$235,069.64 \times$ individual partnership interest = amount of individual annual distribution.

<u>Partner</u>	<u>Net office Square feet</u>	<u>% of total sq. footage</u>	<u>% int. in new venture</u>	<u>Return= % int x \$1,610,066.</u>
Tauber, Laszlo	5,977	22.50	3.285	\$ 52,890.67
Tauber Foundation	4,540	17.09	2.495	40,171.15
Davidov, Michael	2,000	7.53	1.099	17,694.63
Peters, IRA Leslie	2,270	8.55	1.248	20,093.62
Sappington, R.F.	6,218	23.41	3.418	55,032.06
Burtoff, Samuel	2,185	8.23	1.202	19,352.99
Goald, Harold	1,193	4.49	0.656	10,562.03
Nedelcovych	1,180	4.44	0.648	10,433.23
Antezana	<u>1,000</u>	<u>3.76</u>	<u>0.549</u>	<u>8,839.26</u>
Total	26,563	100.00	14.600	\$235,069.64

Summary

The original Group A partners owned 100% of Group A (Hospital). They will own 85.4% of the new consolidated partnership plus 26,563 square feet of office space, plus 3,573 square feet of office space already owned, plus 13 already owned Lakeside Plaza Condominium units and the land and ground lease. The Freedman, Lee and Desai Building stands alone and will therefore, remain separate from JMHJV. Only the land under the building will be leased for \$1.00 per year for 99 years. Group A owns part of this building related to parking (the total parking in the building minus those parking spaces assigned to Drs. Freed22man, Lee and Desai).

TAUBER 10446

In order to clarify the actual distribution, please note the following example:

If a partner owned 10% in the original Group A, he will receive 8.54% interest in the new partnership which is 8.54% of the distribution. There is no change in the cash flow since 10% of \$1,375,000 (old distribution) is equal to \$137,500 which is the same as 8.54% of \$1,610,066 (new distribution) which is \$137,500.

The income from the newly acquired offices is equal to \$265,630 per year. The distribution from this amount will be limited to the original members of Group A and will be made at the end of the year. Therefore, this partner will receive 10% of the \$265,630 = \$26,563 per year as additional income. Before this additional income is distributed, the negative cash flow created by the 13 Lakeside Condominiums will be deducted. Therefore, if the negative cash flow for Lakeside is \$150,000 for the year, this partner is responsible for 10% which is \$15,000. This partner will receive \$26,563 - \$15,000 = \$11,563.

The annual net income is \$1,610,066.00 until the year 2002 at which time it will increase to \$2,125,000 per year plus 50% cost of living index. The fixed annual expenses are \$114,785.60 (Schedule A) which leaves a total of \$1,635,000. These original Group A partners will receive their new percentage interest x \$16,100.66 per 1% per year.

<u>Partner</u>	<u>Percentage Interest in the new venture</u>	<u>Return = % int. x \$16,100.66</u>
Tauber, Laszlo	13.501	\$ 217,375.01
Tauber Foundation	7.951	128,016.35
Tauber, Ingrid	1.243	20,013.12
Tauber, Alfred	1.243	20,013.12
Davidov, Michael	2.729	43,938.70
Rollins, Samuel	4.620	74,385.05
Peters, Leslie	8.542	137,531.84
Sappington, R.F.	3.280	52,810.16
Burtoff, Samuel	7.574	121,946.40
Goald, Harold	0.214	3,445.54
Nedelcovych	0.175	2,817.62
Gondor, Leslie	6.793	109,371.78
Corrado, Michael	2.261	36,403.59
Corrado, Leslie	3.020	48,623.99
Corrado, Christopher	3.020	48,623.99
Burtoff, Bruce	0.743	11,962.79
Burtoff, Barbara	0.743	11,962.79
Burtoff, Constance	0.743	11,962.79
Vlahos, Michael	1.391	22,396.02
Vlahos, Michael Pen.	3.101	49,928.15
Scully, James	3.844	61,890.94
McManus, Reginald	2.299	37,015.42
Csatary, Laszlo	1.709	27,516.03
Feriozi, Dan	1.243	20,013.12

TAUBER 10447

Coster, A.A.	0.622	10,014.61
Prinz, Werner	0.622	10,014.61
Buhain, Wilfrido	0.544	8,758.76
Hufnagel, Estate of Charles	0.482	7,760.52
Kuhn & Kogan Venture	0.428	6,891.08
Rudnai, Klari	0.580	9,338.38
Delaney, W. Morgan	0.072	1,159.25
Desai, Narendra	0.030	483.02
Scheetz, Walter	<u>0.038</u>	<u>611.83</u>
Total	85.400 %	\$1,374,996.37

At this point Group A will own the offices and is leasing them back to the former owner net, net, net at \$10 per square foot. The Lessee (former owner) will be responsible for taxes, utilities, cleaning and insurance. The units must be leased back as long as the Hospital remains an acute care facility. The Lessees will pay a total of \$265,630 per year to the venture which will be distributed to the former Group A partners. The 13 Lakeside Plaza Condominiums will be the responsibility of the Group A partners which they can either keep or sell.

Anyone who wishes to sell his share, the price is offered \$127,000 per 1%.

TAUBER 10448

J.APP. 4179

Schedule A

Fixed JMHJV obligations per month:

Dr. Freedman (management physical plant)	\$1,000.00
Dr. Peters (office rent)	885.72
Dr. Sappington (office rent)	1,341.50
Dr. Tauber (rent)	1,673.00
Tauber Foundation (rent auditorium)	1,233.33
Robin Peters	389.75
Mr. Mermelstein	600.00
Parking	400.00

The respective owners of the Peters, Sappington and Tauber units pay the proportionate share of the taxes, insurance, utilities and cleaning. The Tauber Foundation does not pay any of these items.

Additionally JMHJV has the following fixed annual expenses:

Dr. Gondor (ground rent)	\$20,000.00
Insurance	1,200.00
Thorpe Richards (corporate fee)	400.00
misc. office supplies	500.00
Hopkins (ground rent)	2,406.00

The total fixed annual obligations of JMHJV \$114,785.60

Note: JMHJV owes the Tauber Foundation \$1,233.33 per month which is \$14,800 per year since the beginning of the Lease. As of December, 1991, the 6 1/2 years back rent totals \$96,200 at 10% interest, not compounded (\$26,640) for a total of \$122,840.00.

TAUBER 10449

J.APP. 4180

Please read this letter carefully. If you agree, please initial each page, sign the last page and return the original to Dr. Laszlo N. Tauber, M.D., 4600 King Street, Suite 2C, Alexandria, VA 22302.

jmh1211.me2

Dear Members:

We signed a binding agreement with Inova to transfer our Group A and D interest in the Hospital Building and to lease and sublease our land to them and to take possession of their headquarters building at Cambridge Court (land & building). We do not intend to dissolve the JMHJV. The surviving Joint Venture will have the same assets and obligations that the Joint Venture had except for the Group A & D interest in the Hospital Building.

The new fixed income of JMHJV will be:

\$ 75,000.00	from Inova
8,760.00	parking from Inova (\$730 per month x 12)
<u>22,531.44</u>	Pharmacy Income (\$1,877.62 per month x 12)
\$ 106,291.44	Total income

The new fixed expenses of JMHJV will be:

<u>Owner</u>	<u>Net sq.ft.</u>	<u>Monthly Rent</u>
Dr. Tauber (Physical Therapy, 2L)	1564	\$1,564.00
The Tauber Foundation (auditorium, 2E)	1480	\$1,480.00
The Tauber Foundation (partial Suite 4J)	291.57	\$ 291.57
Dr. Sappington (Dr. Linde's office, 6P)	1026	\$1,026.00
Dr. Peters (Pharmacy, 4C)*	623	\$ 987.67
Dr. Gondor (Ground lease, \$20,000/12)		<u>\$1,666.67</u>

Total monthly expenses \$7,015.91

* If and when the Pharmacy discontinues paying the Joint Venture, Dr. Peter's distribution for Suite 4C will be discontinued.

Therefore, the annual expenses will be $\$7,015.91 \times 12 = \$84,190.92$.

total annual income	\$106,291.44
Less total annual expenses	<u>(84,190.92)</u>
total annual net income	\$ 22,100.52

Expenses for the condominium conversion will be approximately \$45,000 which is broken down as follows:

legal fees	\$ 6,000
engineering fees	36,980

The condominium owners will shares these expenses as allocated by their gross square footage owned.

Page 1 of 4

TAUBER 33735

BEB

Trial Exhibit
No. 461.

J.APP.4181

King Street Office Building	67,265 gross square feet
Beauregard Office Building	9,250 gross square feet
Beauregard garage	9,250 gross square feet
13,944 - 13,443 =	<u>501</u> gross square feet
Total	86,266 gross square feet

Therefore, the expense will be \$45,000 divided by 86,266 gross square feet which equals a cost of 52 cents per square foot.

The Joint Venture will be responsible for expenses related to 26,344 gross square feet which is calculated as follows:

King Street Office Building, 3rd Floor	13,944
Garage at Beauregard Building	9,250
Suite 4G, Dr. Peters	1,269
Suite 4J, Dr. Small	<u>1,881</u>
Total JMHJV obligation	26,344

The expense for the Joint Venture will be 26,344 x .52 cents per gross square foot = \$13,698.88. Therefore, the difference between \$45,000 - \$13,698.88 will be allocated to the condominium owners according to the gross square footage they own.

In the original lease with Inova, they will lease the land under the Hospital from the condominium regime for \$1 per year, net, net, net. Inova is responsible for all taxes, insurance and repairs on the land. The building has to be insured for liability and fire extended coverage. The premium will be distributed to the condominium owners proportionately. Once the condominium regime is in place, each owner will have the right to mortgage their condominium unit with only one restriction. The Joint Venture has the right of first refusal to purchase any units for sale. Further, certain restrictions limiting the use of the condominium will be enforced by the condominium regime. Presently, only medical related offices can occupy the building.

The Joint Venture still holds the mortgage on two Lakeside Plaza condominiums owned by Dr. Feriozi and Dr. McManus. A third unit was recently sold to Dr. Cerrado and the mortgage is held by an outside lender. This unit is no longer a Joint Venture responsibility.

Those members who currently own Group A and D will incur certain legal expenses and recordation fees related to the transfer of the building. Since no mortgage will be placed on the new building, no mortgage recordation tax will be included.

BEB

From now on, The Tauber Foundation for the auditorium, JMHJV Group A for Dr. Kogan's office, Dr. Sappington for Dr. Linde's office and Dr. Tauber for Physical Therapy will have net, net leases. All taxes, insurance, cleaning, utilities and repairs will be paid by the venture and Inova. The uniform price will be \$12 per square foot for everyone.

The Tauber Foundation has agreed to accept 3.25% Group D interest from Jefferson Memorial Hospital Joint Venture Group A. (3.25% Group D x 0.27% = 0.8775% in the entire venture). Therefore, 0.8775% x \$127,000 = \$111,442.50 which is the purchase price.

The venture owes The Tauber Foundation \$122,840 in back rent for the auditorium. Therefore,

	\$ 122,840.00
	(<u>111,442.50</u>)
	\$ 11,397.50
\$1,480/month x 12	<u>17,760.00</u>
Venture owes T.F.	\$ 29,157.50

In lieu of this \$29,157.50, The Tauber Foundation will buy Suite 4J = 0.19835% ownership and will receive \$291.57 per month from the Venture.

Therefore, beginning January 1, 1993, The Tauber Foundation will receive the following per month:

Auditorium	\$ 1,480.00
Suite 4J	<u>291.57</u>
Total	\$ 1,771.57

The management and supervision of the condominium will be handled by Dr. Irwin S. Freedman for compensation of \$1,000 per month to be paid by the condominium owners. This will be calculated as follows:

86,266	total gross square feet
(9,250)	less Beauregard garage
<u>(13,944)</u>	less King Street Office Building, 3rd Floor
63,072	

\$1,000 per month x 12 = \$12,000 per year divided by 63,072 gross square feet is 19 cents per gross square foot per year.

BEB

TAUBER 33937

Cambridge Court Joint Venture

The annual rent for the Cambridge Court Building will be \$2,050,000. A 3% management fee will be paid to a management company selected by me. The partner distribution will be based on \$19,050 per year per 1% which is \$1,587.50 per month until October 1, 2002. At this time, the amount will be increased to \$28,000 per 1% which is \$2,333.33 per month. If Inova exercises their option, each 1% cash ownership will receive \$200,000 per 1% plus additional accumulated income, if any. If Inova does not exercise this option, the rent will continue at a level at least the same amount as before until October 1, 2012.

The venture incurred approximately \$410,000 debt in order to buy \$1,075,000 in Zero Coupon U.S. Treasury Bonds which will be paid off from the excess income in approximately 5 years. Expenses to the venture will be legal fees plus transfer taxes which I anticipate we will borrow and pay off as soon as possible.

Acknowledged and Agreed:


1/14/93

Since we have signed a binding agreement with Inova which is irrevocable we can outline the transaction in more detail. We had a binding agreement to lease the hospital as an acute care facility until October 1, 2005. However, due to the fact that our census dropped down to 10-15% I had the constant fear that Richmond might revoke the Certificate of Need for the acute care hospital and certainly Inova would welcome this because they would see their way to get out of the lease agreement. Naturally we would be able to protest this in court but certainly we do not want to put ourselves in that position. Therefore, selling the Hospital was the only answer even if we consider that Inova would pay the rental payment to October, 2005. We would get back the building grossly depreciated and no license for an acute care hospital. That chance we can not take. I tried to achieve a tax deferred exchange between the Hospital and Inova headquarters building. In my experience with real estate transactions, I have learned that you cannot be granted anything by the IRS. Whether we will succeed or not I don't know. I am constantly consulting tax lawyers to come up with a solution. One of the solutions recommended would jeopardize our deal with Inova. Let us not forget our prime objective is to complete the business transaction and secondly we can achieve a tax deferred transaction. This would be an additional benefit to all of us. I just want to reemphasize again what I related to each member previously that I will try my best but I cannot guarantee that the IRS will not alter our approach which will result in considerable tax liabilities since our base is practically zero. At our meeting I will discuss certain fine points for and against it. Please read carefully and act accordingly in your best interest.

BEB

TAUBER 33737

J.APP. 4185


BARBARA BURTOFF

_____
CONSTANCE BURTOFF

SAMUEL BURTOFF TRUST

BY: _____
TRUSTEE

_____
CHRISTOPHER CORRADO

_____
LESLIE CORRADO

_____
MICHAEL CORRADO, M.D.

ARTHUR COSTER, DPM, LTD,
RETIREMENT TRUST

BY: _____
TRUSTEE

_____
LASZLO CSATARY, M.D.

_____
CHRISTINA CSATARY, M.D.

MICHAEL DAVIDOV & ASSOCIATES
LTD. EMPLOYEE BENEFIT TRUST

BY: _____
TRUSTEE

_____
MICHAEL DAVIDOV, M.D.

STATE OF _____,
CITY/COUNTY OF _____, to-wit:

The foregoing instrument was acknowledged before me this
_____ day of _____, 1992 by SAMIR AZER, M.D.

_____
Notary Public

My commission expires: _____

STATE OF _____,
CITY/COUNTY OF _____, to-wit:

The foregoing instrument was acknowledged before me this
_____ day of _____, 1992 by SAMEER SHAMMAS, M.D.

_____
Notary Public

My commission expires: _____

STATE OF _____,
CITY/COUNTY OF _____, to-wit:

The foregoing instrument was acknowledged before me this
_____ day of _____, 1992 by WILFRIDO BUHAIN, M.D.

_____
Notary Public

My commission expires: _____

STATE OF Washington
CITY/COUNTY OF D.C., to-wit:

The foregoing instrument was acknowledged before me this
30th day of September, 1992 by BARBARA BURTOFF.

Nancy Goldman
Notary Public

My commission expires: August 31, 1993



October 14, 1992

Laszlo N. Tauber, Trustee and
Managing Partner
Jefferson Memorial Hospital Joint Venture
1600 King Street
Suite 2C
Alexandria, Virginia 22302-9988

Re: Binding Letter Agreement on Jefferson Hospital

Dear Dr. Tauber:

We have had recent discussions with you in your capacity as Managing General Partner of Jefferson Memorial Hospital Joint Venture ("JMHJV") concerning the Jefferson Hospital facility as it is currently operated and have engaged in a lengthy course of negotiations as to how JMHJV might permit such a change. As you are aware, a number of issues have arisen which preclude currently closing the discussed transaction which would essentially constitute an exchange of Cambridge Court for Jefferson Hospital.

Problems have arisen which preclude a current consummation of the discussed transaction. Accordingly, if you agree to the terms of this binding letter agreement, Inova will consummate and close the exchange transaction described herein subject to the terms of this letter. The closing of the exchange transaction will occur as soon as you are able to convey the JMHJV Property as described herein to Inova, with good and marketable title, free of liens and insurable. If the premium is more than at regular rates, JMHJV will pay the difference.

As a condition to this agreement, JMHJV agrees to any one of the following four options:

1. Inova in its absolute discretion and without any restriction regarding continuing any use of the facility, may modify the present use of Jefferson Hospital, and in the event such change necessitates any change in the licensure or the Certificate of Public Need, you agree that Inova may take any and all such necessary action to accommodate those requirements

A Tradition of Innovative Care

Trial Exhibit
No. 513.

MMRW 00122

J.APP.4188

Laszlo N. Tauber
October 14, 1992
Page 2

including without limitation a change or termination of either the license or the Certificate, and JMHJV agrees not to oppose those efforts in any way.

2. You consent to allow the operation of the Jefferson Hospital facility immediately to be halted.

3. You consent to a change in use of the Jefferson Hospital facility to any other commercial use consistent with zoning and similar restrictions.

4. You consent to a sublease of Jefferson Hospital to any commercially reasonable subtenant.

Notwithstanding anything else contained in this Agreement, the 1985 Jefferson Hospital Lease and side letters shall continue in full force and effect until the earlier of the expiration of the 1985 Jefferson lease or the consummation of the exchange transaction except those provisions which by their terms survive expiration and except that no provision shall affect or limit in any way the four options set forth above.

For purposes of this letter agreement the properties defined as the "JMHJV Property" and the "Inova Property" are more particularly described in Attachment C.

At such time as JMHJV is able to convey to Inova the JMHJV Property as aforesaid, the following transaction will occur:

A. Inova shall participate in an exchange with JMHJV whereby Inova will take all necessary actions which will result in JMHJV acquiring the Inova Property with good and marketable title, free of liens and insurable (and if the premium is more than at regular rates, Inova will pay the difference) and whereby JMHJV will take all necessary actions which will result in Inova acquiring the JMHJV Property as aforesaid.

B. JMHJV and Inova shall enter into a lease agreement between JMHJV as landlord and Inova as tenant for the Inova Property for the term and rental and containing the options described in Attachment A.

C. JMHJV and Tauber/Trustee will lease to Inova and Inova will lease or sublease from JMHJV and Tauber/Trustee the land constituting Alexandria tax map parcels 3.00-2-1, 3.00-2-3, 3.00-2-4, 3.00-2-5, 3.00-2-6 and 3.00-2-7, excluding the buildings and the land underlying the buildings located thereon, for ninety nine (99) years on a triple net basis with an annual base rent of \$1.00 per year with shared parking with others except that Inova

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MMRW 001228

Laszlo N. Tauber
October 14, 1992
Page 3

shall pay JMHJV \$750.00 per month to rent certain parking spaces in the Beauregard Building until September 30, 2005. The sublease of 3.00-2-3 shall expire on September 13, 2061.

D. Inova shall lease from JMHJV and/or Tauber/Trustee and JMHJV and Tauber/Trustee shall lease to Inova Suites 2E, 2D, 4J and 6P in the medical office building at 4600 King Street on a triple net basis for \$75,000.00 per year until September 30, 2005.

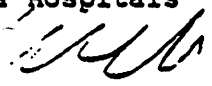
E. Inova shall lease the third floor of the medical office building from JMHJV on a triple net basis for \$1.00 per year for 99 years and shall purchase it for \$1.00 at such time as it is created as a separate condominium unit.

F. JMHJV shall have the option (exercisable within three months of when Inova exercises its option to purchase the Inova Property) to purchase the JMHJV Property at the price and terms set forth on Attachment B.

If you are in agreement with the terms of the foregoing binding letter agreement and Attachments A through G, we request that you indicate your agreement by signing below. Our signatures hereto will irrevocably bind us to all of the terms and conditions of this letter agreement and attachments. This letter has been delivered to you in duplicate executed originals. Upon execution, please return one completely executed copy to us.

Very truly yours,

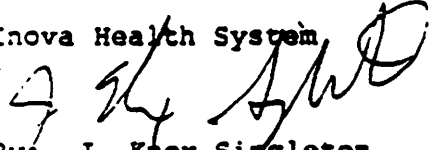
Inova Hospitals



Witness: Barent L. Fake
Barent L. Fake

By: C. Michael French
President

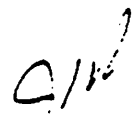
Inova Health System



Witness: Barent L. Fake
Barent L. Fake

By: J. Knox Singleton
President

MMRW 001229



J.APP. 4190

Laszlo N. Tauber
October 14, 1992
Page 4

The undersigned accepts and agrees to the terms of the foregoing binding letter agreement.

Jefferson Memorial Hospital Joint
Venture

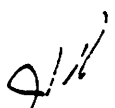
Witness: _____

By: _____
Laszlo N. Tauber, Managing Partner
and

Witness: _____

_____
Laszlo N. Tauber/Trustee

MMRW 001230


JAPP.4191

ATTACHMENT A

The lease shall be for a period of twenty (20) years with four (4), five (5) year renewal options, provided Inova gives written notice no later than twelve (12) months prior to the expiration of the initial term of the lease and each subsequent renewal term. The lease shall be a triple net lease with Inova agreeing to pay JMHJV an initial annual base rent of \$2,050,000.00 per annum payable in advance in equal monthly installments of \$170,833.33 (rounded to the nearest cent) without previous demand therefor, on the first day of each calendar month through June 30, 2002. Effective July 1, 2002 through September 30, 2005, the annual base rent payable in monthly installments in advance shall be adjusted annually to (i) \$2,000,000.00 per annum plus (ii) an amount equal to \$2,000,000.00 per annum multiplied by 1/2 of the cumulative percentage increase in the cost of living as measured by the Consumer Price Index, 1982-4 equals 100 of the U.S. Department of Labor CPI (U) (Washington D.C., M.D., V.A.) from July 1985 to March of the year of the adjustment plus \$50,000.00. Effective October 1, 2005 through September 30, 2012, the annual base rent shall be \$3,000,000.00 per annum payable in advance, in equal monthly installments of \$250,000.00 without previous demand therefore, on the first of each calendar month. Effective October 1, 2012, during the balance of the term of the Inova Property Lease and any extension thereof, the annual base rent payable in monthly installments in advance shall be adjusted annually to (i) \$3,000,000 per annum plus (ii) an amount equal to \$3,000,000 per annum multiplied by one-half of the cumulative percentage increase in the cost of living as measured by the same CPI from July 2005 to March of the year of the adjustment. At all times during the term of the Inova Property Lease and any extensions thereof, including the option periods for both the Inova and JMHJV Properties, Inova shall be responsible at its expense (1) for all tenant build-outs, which shall conform to the first class office space standards in the Washington, D.C. metropolitan area and (2) keeping both the JMHJV Property and the Inova Property in good order and shall make all repairs and replacements, structural and nonstructural and shall keep all building systems including mechanical, electrical and plumbing in good working order. In addition, Inova shall have the right to purchase the Inova Property free and clear of all liens and with good and marketable title, insurable at regular rates, for \$20,000,000 or 50% of the fair market value, whichever is greater, on October 1 of the following years: 2005, 2012, 2017, 2022, 2027 or 2032, provided Inova notifies JMHJV in writing at least twelve (12) months prior to such dates specified above. If the parties cannot agree on the fair market value then the fairmarket value shall be determined as follows: Inova and JMHJV shall each hire an MAI appraiser to appraise the Inova Property and if the appraisers are unable to agree between them as to the fair market value and their opinions of the fair market

A-1

MMRW 00123

JAPP.4192

value vary 10% or less from each other then the average of the two shall be the fair market value. If the two appraisers' opinions of fair market value vary from each other more than 10%, then the two appraisers shall pick a third appraiser whose fees will be split equally by the parties, and the third appraiser will be asked to decide the fair market value which will not be lower than the lowest appraisal nor higher than the highest appraisal. At the request of Inova, for a period of two years immediately following Closing, JMHJV or Tauber/Trustee shall not record any mortgage on the Inova property, and the Inova Property Lease shall not be recorded among the land records of Fairfax County, Virginia. After said two year period, JMHJV has the right to place a deed of trust on the Inova Property in an amount not to exceed \$16,000,000 (interest and principal included).

A-2

MMRW 001232

JAPP.4193

ATTACHMENT 3

The option price shall be the greater of the real estate tax assessment value of the JMHJV property or the fair market value of the JMHJV property less the value attributable to any licensed beds therein. If the parties cannot agree on the fair market value then the fair market value shall be determined as follows: Inova and JMHJV shall each hire an MAI appraiser to appraise the JMHJV property and if the appraisers are unable to agree between them as to the fair market value and their opinions vary either 10% or less from each other then the average shall be the fair market value. If the two appraisers opinions vary from each other more than 10% than the two appraisers shall pick a third appraiser whose fee shall be split equally between the parties and the two appraiser shall be asked to decide the fair market value which shall not be lower than the lowest appraisal nor higher than the highest appraisal. The parties agree that if JMHJV exercises its option to purchase the JMHJV Property then in such an event, the land leases and subleases between the parties for the land identified by the tax map numbers described herein shall be terminated.

MMRW 001233

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2/14
J.APP. 4194

ATTACHMENT C

For the purposes of this Agreement, the Hospital Building and the MOB Third Floor, and all appurtenances, beneficial easements relating to the operation and use of the Hospital Building and the MOB Third Floor, including but not limited to, fixtures, equipment and personal property owned by JMHJV and Tauber/Trustee and used in the operation and ownership of the Hospital Building and the MOB Third Floor, and all JMHJV's or Tauber/Trustee's materials stored therein, all warranties, guaranties, licenses, permits and certificate(s) of public need, bonds, claims and rights, if any, running to or assigned to JMHJV and/or Tauber/Trustee in connection with the construction, maintenance or operation of the Hospital Building or any component thereof, all of JMHJV's and/or Tauber/Trustee's rights, title and interest in and to any drawings, plans, specifications, surveys, manuals and contracts, if any, relating to the construction of the Hospital Building, and all certificates of operation, use and occupancy of the Hospital Building and the MOB Third Floor shall be collectively referred to herein as the "JMHJV Property".

Inova is the owner of certain real property located in Fairfax County, Virginia, known as Tax Map No. 49-4-001-28B ("Cambridge Land"), and is the owner of a multi-story office building and parking structure and all other improvements erected thereon known by street address as 8110 Gatehouse Road, Falls Church, Virginia, having Tax Map No. 49-4-001-28B ("Cambridge Building").

For the purpose of this Agreement, the Cambridge Land, the Cambridge Building, all related improvements, appurtenances, beneficial easements and rights of way over the Cambridge Land and the adjacent land, rights in adjacent alleys and streets, fixtures, equipment and personal property used in the operation and ownership of the Cambridge Building and related improvements including without limitation, all Inova's materials stored in the Cambridge Building and in or on the Cambridge Land, all warranties, guaranties, bonds, claims and rights running to or assigned to Inova in connection with the construction, maintenance or operation of the Cambridge Building and any component thereof and any related improvement, all of Inova's rights, title and interest in and to any drawings, plans, specifications, surveys, manuals and contracts relating to the construction of the Cambridge Building and all related improvements, and all certificates of operation, use and occupancy of the Cambridge Building and all related improvements shall be collectively referred to herein as the "Inova Property".

MMRW 001234

ATTACHMENT D

The parties agree that within 30 days following the date of this agreement that Inova shall execute a deed conveying the Inova Property to JMHJV, and JMHJV shall execute a deed conveying the JMHJV Property to Inova, and the parties shall deliver said deeds to Real Title Company to be held in escrow pending the clearing of title to the JMHJV Property.

D-1

MMRW 001235

9/11
J.APP. 4196

ATTACHMENT E

Parking on the ground leased by Inova from JMHJV or Tauber Trustee shall be in accordance with the City of Alexandria zoning laws, and said parking shall be shared or cooperative, that is parking shall not be assigned. Inova shall be entitled to charge for the parking at rates which are normal in the area and Inova shall be entitled to all income arising therefrom except that each tenant or owner in the Medical Office Building or Beauregard Building shall be entitled without charge to use one parking space per owner or tenant. At all times during the ground lease, Inova shall be responsible at its sole expense for all taxes, insurance, repairs and replacements.

MMRW 001236

E-1

7/11/7

J.APP. 4197

7

ATTACHMENT F

During the term of the ground lease JMHJV and Tauber/Trustee shall cooperate with Inova in obtaining special use permits for the hospital building and third floor of the Medical Office Building as long as the proposed use will not result in the loss of the present commercial zoning on the ground.

F-1

MMRW 001237

9/14

J.APP. 4198

ATTACHMENT G

This Agreement may be assigned, in whole or in part, by any party hereto.

All terms, conditions, agreements and obligations hereunder shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

MMRW 001238

A:\BNDLTR.AGR

G-1

9/1/72
J.APP. 4199

EXTENSION AGREEMENT

THIS EXTENSION AGREEMENT is made this 13th day of November, 1992 by and between INOVA HOSPITALS and INOVA HEALTH SYSTEM (collectively "hereinafter "Inova"), JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE (hereinafter JMHJV"), and LASZLO N. TAUBER, TRUSTEE as Trustee for JMHJV (hereinafter "Tauber, Trustee").

WHEREAS, the parties entered into a Binding Letter Agreement dated October 14, 1992 and wish to extend the deadline for delivering deeds to escrow and clarify certain provisions of the Agreement among them;

NOW THEREFORE, in consideration of the sum of \$10.00 paid each to the other and other valuable consideration the parties do hereby agree as follows:

1. Attachment D to the Binding Letter Agreement between the parties dated October 14, 1992, is hereby amended in its entirety and replaced with the following language:

ATTACHMENT D

On or before December 18, 1992, JMHJV shall execute a deed conveying the Jefferson Hospital Building portion of the JMHJV Property to Inova, and shall deliver said deed to Real Title Company to be held in escrow pending the clearing of title to the JMHJV Property. Within five (5) business days following delivery of the Jefferson Hospital Building Deed to Real Title Company, Inova shall execute a deed conveying the Inova Property to JMHJV and shall deliver said deed to Real Title Company to be held in escrow pending clearing of the title to the JMHJV Property. Closing shall occur promptly following the date on which the JMHJV Property title is cleared and all other documents contemplated by the Binding Letter Agreement have been executed and delivered to Real Title Company. Closing will not be contingent on or delayed until the third floor of the Medical Office Building becomes a condominium. The parties acknowledge and agree that the Medical Office Building will be made subject to a condominium regime, and the deed to the third floor of the Medical Office Building shall be delivered to Inova by JMHJV promptly after the date on which the condominium regime takes effect pursuant to law. JMHJV agrees to proceed with the creation of the condominium regime in a diligent and expeditious manner.

IN WITNESS WHEREOF the parties have executed this Extension Agreement as of the date first above written in two counterparts each of which shall be considered an original.

WITNESS:

Edward L. Fisher

INOVA HOSPITALS

By: C. Michael French
C. Michael French, President

MMRW 001239

WITNESS:

Robert L. Fiske

INOVA HEALTH SYSTEM

By:

J. Knox Singleton, President

WITNESS:

David M. Hall

JEFFERSON MEMORIAL HOSPITAL JOINT
VENTURE

By:

Laszlo N. Tauber, Managing Partner

WITNESS:

David M. Hall

LASZLO N. TAUBER, TRUSTEE

MMRW 001240

J.APP. 4201

SECOND
EXTENSION AGREEMENT

THIS SECOND EXTENSION AGREEMENT is made as of this 17th day of December, 1992 by and between INOVA HOSPITALS and INOVA HEALTH SYSTEM (collectively "hereinafter "Inova"), JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE (hereinafter JMHJV"), and LASZLO N. TAUBER, TRUSTEE as Trustee for JMHJV (hereinafter "Tauber, Trustee").

WHEREAS, the parties entered into a Binding Letter Agreement dated October 14, 1992, and an Extension Agreement dated November 13, 1992 and now wish to extend the deadline again for delivering deeds to escrow;

NOW THEREFORE, in consideration of the sum of \$10.00 paid each to the other and other valuable consideration the parties do hereby agree as follows:

1. Attachment D to the Binding Letter Agreement between the parties dated October 14, 1992, as amended by the Extension Agreement dated November 13, 1992 is hereby amended as follows:

ATTACHMENT D

On or before January 29, 1993, JMHJV shall execute a deed conveying the Jefferson Hospital Building portion of the JMHJV Property to Inova, and shall deliver said deed to Real Title Company to be held in escrow pending the clearing of title to the JMHJV Property. Within five (5) business days following delivery of the Jefferson Hospital Building Deed to Real Title Company, Inova shall execute a deed conveying the Inova Property to JMHJV or its designee and shall deliver said deed to Real Title Company to be held in escrow pending clearing of the title to the JMHJV Property. Closing shall occur promptly following the date on which the JMHJV Property title is cleared and all other documents contemplated by the Binding Letter Agreement have been executed and delivered to Real Title Company. Closing will not be contingent on or delayed until the third floor of the Medical Office Building becomes a condominium. The parties acknowledge and agree that the Medical Office Building will be made subject to a condominium regime, and the deed to the third floor of the Medical Office Building shall be delivered to Inova by JMHJV promptly after the date on which the condominium regime takes effect pursuant to law. JMHJV agrees to proceed with the creation of the condominium regime in a diligent and expeditious manner.

2. The Binding Letter Agreement dated October 14, 1992 as amended by the Extension Agreement dated November 13, 1992 as further amended by this Second Extension Agreement remains in full force and effect and is ratified and confirmed by the parties.

MMRW 001241

IN WITNESS WHEREOF the parties have executed this Second Extension Agreement as of the date first above written in two counterparts each of which shall be considered an original.

WITNESS:

Barclay L. Fink

INOVA HOSPITALS

By: C. Michael French
C. Michael French, President

WITNESS:

Barclay L. Fink

INOVA HEALTH SYSTEM

By: J. Knox Singleton
J. Knox Singleton, President

WITNESS:

Barclay L. Fink

JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE

By: Laszlo N. Tauber
Laszlo N. Tauber, Managing Partner

WITNESS:

Barclay L. Fink

LASZLO N. TAUBER
LASZLO N. TAUBER, TRUSTEE

V I R G I N I A:

IN THE CIRCUIT COURT FOR THE CITY OF ALEXANDRIA

INOVA HEALTH SYSTEM HOSPITALS,
et al.,
Petitioners,

v.

THE JEFFERSON MEMORIAL HOSPITAL
JOINT VENTURE,
et al.,
Defendants.

At Law No. CL 930607

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made on July 11, 1994 by and between INOVA HEALTH SYSTEM FOUNDATION and INOVA HEALTH SYSTEM HOSPITALS (collectively, "Inova") and LASZLO N. TAUBER, TRUSTEE and JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE (collectively, "JMHJV").

WHEREAS, the parties are litigants in a declaratory judgment action pending in the Circuit Court for the City of Alexandria, Virginia styled Inova Health System Hospitals, et al., Petitioners v. Jefferson Memorial Hospital Joint Venture et al., Defendants, Law No. CL930607, and

WHEREAS, the parties have agreed to settle the pending litigation on the terms set forth herein.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the sufficiency of which is acknowledged and agreed to, the parties agree as follows:

1. On the first day of each month, commencing on August 1, 1994, through June 1, 2002, Inova will pay to JMHJV the sum of One

Hundred Seventy-Seven Thousand Eighty-Three and 33/100 Dollars (\$177,083.33). On the first day of each month, commencing on July 1, 2002, through September 1, 2005, Inova will pay to JMHJV the sum of Two Hundred Thirteen Thousand Five-Hundred Forty-One and 67/100 Dollars (\$213,541.67). The foregoing payments shall be made by Inova without set-off, notice, demand or otherwise and a failure to pay any of the said monthly sums on a timely basis shall constitute a breach sufficient to permit JMHJV, at JMHJV's option, to accelerate all future payments due on account thereof, provided however, that upon any alleged default, JMHJV shall give thirty (30) days' written notice to Inova and the opportunity to cure the alleged default before accelerating payments hereunder. Inova shall be entitled to cure a default by payment of the monthly payment due, plus five percent (5%) penalty, within said thirty (30) day period after receipt of written notice. Acceptance by JMHJV of any of the foregoing payments following the due date shall not constitute a waiver by JMHJV of its right to demand timely payment at any time thereafter. The payments pursuant to this paragraph shall be assignable by JMHJV by written notice to Inova.

2. The payments referred to in Paragraph 1 shall be secured by an irrevocable letter of credit from a commercial bank in the amount set forth below, reasonably acceptable to the parties, which letter of credit shall be renewed annually by the issuing institution through October 31, 2005; provided however, that should the issuing institution be unable to provide renewal through such term, then the letter of credit shall not expire without the issuer having given JMHJV at least thirty (30) days prior written notice and such failure to renew shall constitute a default permitting

JMHJV to present the letter of credit for payment thereunder. In lieu of a letter of credit, at the option of Inova, Inova may place cash or United States Treasury Securities ("Substitute to Letter of Credit") of an equal amount with an independent escrow agent or trustee as security for the payments required by Paragraph 1. During the period of August 1, 1994 through June 30, 2002, the amount of the letter of credit or Substitute to Letter of Credit shall be Two Million One Hundred Twenty-Five Thousand Dollars (\$2,125,000.00) and during the period of July 1, 2002 through October 31, 2005, the amount of the letter of credit or Substitute to Letter of Credit shall be Two Million Five Hundred Sixty-Two Thousand Five Hundred Dollars (\$2,562,500.00). Subject to the notice required in Paragraph 1 hereof, the only condition precedent for presentation of the letter of credit or demand upon the escrow agent or trustee for the Substitute to Letter of Credit by JMHJV and payment thereunder by the issuing institution, escrow agent or trustee shall be a certificate presented by a representative of JMHJV stating that a default shall have occurred under payment hereunder. The calling of the letter of credit or demand for the Substitute to Letter of Credit shall be applied to payments currently due and shall not constitute a default entitling JMHJV to accelerate all future payments provided the letter of credit is replaced for the next succeeding year. Inova shall pay all costs, if any, associated with maintenance of the escrow facility or trustee. The interests of JMHJV in the letter of credit or Substitute to Letter of Credit hereunder shall be assignable by JMHJV by written notice to Inova and the institution issuing the letters of credit or to the trustee or escrow agent (as applicable).

3. On October 1, 2005, Inova will pay to JMHJV the sum of Ten Million Dollars (\$10,000,000.00), without set-off, notice, demand or otherwise. The said Ten Million Dollar (\$10,000,000.00) obligation of Inova to JMHJV shall be secured by a deed of trust and security agreement in a commercially-acceptable form commonly in use in Northern Virginia recorded as a first lien priority among the land and financing records of Inova's improved real property known as "Cambridge Court" having a post office address of 8110 Gatehouse Road, Falls Church, Virginia 22042 ("Cambridge Court"). The Ten Million Dollar (\$10,000,000.00) payment by Inova to JMHJV and JMHJV's interest in the deed of trust and security agreement pursuant to this paragraph shall be assignable by JMHJV by written notice to Inova. Inova shall use its best efforts to obtain from all current tenants at Cambridge Court customarily-acceptable subordination agreements subject to provisions of appropriate non-disturbance agreements by JMHJV to protect rights of tenants under the leases in the event of foreclosure, which agreements shall subordinate any rights of the tenants to the lien of the deed of trust securing the Ten Million Dollar (\$10,000,000.00) obligation. The deed of trust and security agreement shall provide that it shall become immediately due and payable upon transfer of any interest in the Cambridge Court property, whether the same shall be consummated either directly or indirectly, unless Inova shall have provided substitute security as set forth below. Inova shall have the right, at any time upon prior notice to JMHJV, to release the deed of trust and security agreement and, in consideration thereof, Inova shall provide to JMHJV substitute security, reasonably acceptable to JMHJV, in the form of a first lien deed of trust on

real property of reasonable value, cash or cash equivalent or a letter of credit. JMJHV shall have the right to name the trustees under the deed of trust. All costs and fees associated with the recordation of the said deed of trust and security agreement shall be borne by Inova.

4. JMJHV shall make no application for a new license or certificate of public need ("COPN") for the Jefferson Hospital facility until either the earlier of January 1, 1995 or upon such date the Commonwealth of Virginia administrative authorities have ruled on Inova's application to transfer the existing acute care licenses and COPN for Jefferson Hospital. JMJHV shall execute a written acknowledgment, not later than July 15, 1994, addressed to the appropriate State authorities, acknowledging Inova as the owner of the existing Jefferson Hospital license and operator of the Jefferson Hospital facility since July 1985 and that Inova has the right to file an application to relocate or transfer the acute care beds, the operating rooms and any other services and certifications for equipment authorized by the Virginia Certificate of Public Need Program. JMJHV agrees to take no action, either directly or indirectly, to interfere with or oppose these applications.

5. Inova agrees that JMJHV, its successors and assigns, shall have the right on January 1, 1995 or such earlier date as set forth in Paragraph 4, to apply for any COPN or license to operate at Jefferson Hospital any type of medical or surgical facility, including, but not limited to, acute care, extended care, extended acute care, ambulatory, outpatient surgery, nursing home, operating rooms, emergency room services or similar medical or surgical

facilities. Inova agrees to take no action, either directly or indirectly, to interfere with or oppose these applications.

6. The parties agree to dismiss with prejudice all claims, counterclaims and crossclaims actually raised or which could have been raised in the present action, with each party to bear its own costs and attorneys fees and expert witness fees.

7. The parties agree to dismiss with prejudice all claims, counterclaims and crossclaims actually raised or which could have been raised in the case styled The Jefferson Memorial Hospital Joint Venture and Laszlo N. Tauber, Plaintiffs v. Inova Health System Hospitals and Inova Health System Foundation, Defendants, Civil Action No. 94-811-A, presently pending in the United States District Court for the Eastern District of Virginia with each party to bear its own costs and attorneys fees and expert witness fees.

8. The parties to the present action shall execute mutual and general releases, including but not limited to releasing and discharging each party, their agents and employees, assigns, successors, and affiliates from all claims, suits or liabilities arising in the above captioned litigation or in Civil Action No. 94-811-A (E.D. Va.) or which could have been brought in either case, excepting the obligations and claims arising under this Settlement Agreement and excepting the current lease between The Tauber Foundation, Inc. and Inova and the liabilities of any tenants for operating expenses and utilities incurred by Inova.

9. The lease executed between the parties for the Jefferson Hospital dated July 3, 1985 shall be terminated and the parties shall confirm the same in a lease termination agreement, executed

in recordable form for recordation among the City of Alexandria, Virginia land records.

10. The parties hereby confirm that the lease executed between Jefferson Memorial Hospital Corporation (now known as Jefferson Corporation of Alexandria) and Health Group of Virginia, Inc. dated February 11, 1982 was terminated upon the execution of the July 3, 1985 lease between the parties, which 1985 lease is terminated pursuant to the preceding paragraph; a confirmation of termination shall be executed in recordable form for recordation among the City of Alexandria, Virginia land records.

11. The Binding Letter Agreement executed by the parties on October 14, 1992 shall be terminated.

12. Inova agrees to cooperate with JMHJV in all of JMHJV's efforts to ensure that title is clear to the real property and improvements located at King and Beauregard Streets, Alexandria, Virginia. Such cooperation shall include, but not be limited to, execution of a quitclaim deed, execution of a consent to quiet title and withdrawal of Inova's pending motion to quash service by publication in the equity suit styled The Jefferson Memorial Hospital Joint Venture and Laszlo N. Tauber, Trustee v. Parties Unknown, Circuit Court for the City of Alexandria, Chancery No. CH 940618. Inova also agrees to fully cooperate with JMHJV concerning the inquiry made by the Attorney General of Virginia so that such matter may be resolved quickly and expeditiously. Inova further agrees to cooperate with JMHJV in all of JMHJV's dealings with any and all governmental entities referring or relating to the transfer of interests from Jefferson Memorial Hospital, Inc. to Jefferson Memorial Hospital Corporation. Nothing contained herein shall be

construed to require Inova to engage in litigation to clear title to the real property and improvements.

13. The parties agree that the equipment that is currently at Jefferson Hospital shall remain thereon and shall remain the sole property of JMHJV.

14. Inova agrees to pay upon demand and remain liable for the expenses of Jefferson Hospital including taxes, insurance and utility expenses through and until December 31, 1994.

15. Subject to approval by the Court, the parties agree that the record in this case shall be sealed by the Court and shall be kept confidential and shall not be disclosed to any third parties. The parties also agree that the terms of this Settlement Agreement are, and shall remain, confidential. The parties agree not to disclose the terms of this Settlement Agreement to third parties. In addition, it is agreed that the parties, their respective counsel, and their experts will execute appropriate confidentiality assurances. The parties further agree that this Settlement Agreement shall be filed under seal with the Court and shall be kept confidential and not disclosed to any third parties.

16. The parties agree that the facts developed in this action are, and shall remain, confidential. The parties agree not to disclose any facts developed in this litigation to third parties. The parties further agree that they, their counsel, and their experts will execute appropriate confidentiality assurances. The parties further agree that, immediately upon the execution of this Settlement Agreement, and no later than two (2) days after its execution, Inova will return to JMHJV's counsel all documents produced to Inova in response to discovery requests within the

possession, custody and control of Inova, its counsel, and its experts. Inova agrees that all work product documents within the possession, custody and control of Inova, its counsel (to the extent it pertains to proprietary, confidential and/or financial JMHJV information) and Inova's experts shall be destroyed immediately upon the execution of this Settlement Agreement, and no later than two (2) days after its execution. For purposes of this Paragraph, the word "documents" shall have the broad meaning ascribed to it in Rule 34 of the Federal Rules of Civil Procedure.

17. In the event Inova, its counsel or any of its expert witnesses in this matter receive a document request or any subpoena requesting production of documents or testimony concerning any of the matters that are prohibited from disclosure hereunder, Inova shall promptly notify JMHJV in writing and provide a copy of the request or subpoena. Within the time permitted for Inova, its counsel or its experts to respond to the request or subpoena, JMHJV may take such steps as it deems appropriate to challenge the information or testimony requested. During the pendency of any challenge, Inova, its counsel or its expert witnesses will not produce any documents, information or testimony, unless ordered by the Court to do so. Notwithstanding anything contained herein to the contrary, Inova shall have the right to make necessary and appropriate disclosures in financial statements.

18. The parties agree that this Settlement Agreement may be enforced by specific performance. In the event that either party shall breach any term hereof, the breaching party shall bear all reasonable costs and attorneys' fees of the nonbreaching party in the enforcement of this Settlement Agreement.

19. Any notices to be given hereunder shall be deemed to be given if hand-delivered, sent by certified mail (return receipt requested) or by any reputable next business day courier service as follows:

If to JMHJV, then to: Jefferson Memorial Hospital Joint Venture, Attn: Laszlo N. Tauber, M.D., 4600 King Street, Alexandria, VA 23202 with copies to: Comptroller, Westwood Management Corporation, 5110 Ridgefield Road, Bethesda, MD 20816 and Gaspare J. Bono, Esq., Howrey & Simon, 1299 Pennsylvania Ave., N.W., Washington, D.C. 20004.

If to Inova, then to: Inova Health System Foundation and Inova Health System Hospitals, Attn: Chief Financial Officer, 8001 Braddock Road, Springfield, VA 22153 with a copy to Marc Bettius, Esq., Miles & Stockbridge, 11350 Random Hills Road, Suite 500, Fairfax, VA 22030.

Either party may change its address provided above by written notice to the other party.

20. This Settlement Agreement is binding upon, and shall inure to the benefit of the parties, their agents and employees, their heirs, successors, affiliates, assigns, parents, subsidiaries and others.

21. The law of the Commonwealth of Virginia shall govern the construction and interpretation of this Settlement Agreement.

22. Notwithstanding any contrary rule of law, all parties shall be considered to be deemed to be the drafters of this Settlement Agreement and there will be no rules of construction applied against the draftsmen.

23. The parties hereby warrant that they have carefully read this Settlement Agreement and understand all of its terms and have

voluntarily executed this Settlement Agreement with full knowledge of its significance and with advice of counsel.

24. This Settlement Agreement contains the entire understanding and agreement between the parties and there are no oral representations, stipulations, warranties or understandings related thereto which are not fully set forth herein. No amendment, addition to or alteration, modification or waiver of any provision of this Settlement Agreement shall be of any force or effect unless reduced to a writing and signed by duly-authorized representatives of all parties.

25. The undersigned signatories represent and warrant that they have all necessary authority to execute this Settlement Agreement and to bind the affected entities.

26. This Settlement Agreement may be executed in duplicates, the intent of which is to permit distant parties to sign conforming copies of this document just as if all parties had signed the same original document. For purposes of this Settlement Agreement, execution by facsimile shall be treated as an original signature.

In witness whereof, the undersigned parties have executed this Settlement Agreement as of the date hereof, for the purposes therein contained, affixing their seals hereto.

Witness:

INOVA HEALTH SYSTEM
HOSPITALS

Stephen K. Fox 7/12/94

By: C. Michael French

C. Michael French
Chief Operating Officer
A Corporate Representative
with Authority to Bind the
Corporation to this
Settlement Agreement

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

Witness:

Bif C. M. Li

INOVA HEALTH SYSTEM
FOUNDATION

By: J. Knox Singleton
J. Knox Singleton
Chief Executive Officer
A Corporate Representative
with Authority to Bind the
Corporation to this
Settlement Agreement

Witness:

_____

JEFFERSON MEMORIAL HOSPITAL
JOINT VENTURE

By: _____
Laszlo N. Tauber, Trustee
with Authority to Bind the
Partnership to this
Settlement Agreement

Witness:

_____

_____
Laszlo N. Tauber, Trustee

Witness:

INOVA HEALTH SYSTEM
FOUNDATION

By:

J. Knox Singleton
Chief Executive Officer
A Corporate Representative
with Authority to Bind the
Corporation to this
Settlement Agreement

Witness:

JEFFERSON MEMORIAL HOSPITAL
JOINT VENTURE

Randy Alan Weiss

By: Laszlo N. Tauber, Trustee
Laszlo N. Tauber, Trustee
with Authority to Bind the
Partnership to this
Settlement Agreement

Witness:

Randy Alan Weiss

Laszlo N. Tauber, Trustee
Laszlo N. Tauber, Trustee

Form 990-AR

1975
Annual Report
of Private
Foundation

COPIES

TAUBER FOUNDATION, INC.
Name

Under Section 6056 of the Internal Revenue Code

In addition to this Annual Report,
the annual return of the Foundation
filed on Form 990-PF is available for
public inspection. Consult an
Internal Revenue Service office for
further information.

**Department
of the
Treasury
Internal
Revenue
Service**

**Trial Exhibit
No. 538.**

TFDN 000374

J.APP. 4217

Annual report for calendar year 1975, or fiscal year beginning ..... 1975, and ending ..... 19..

Name of organization

TAUBER FOUNDATION, INC.

Employer identification number

52-6054674

Address of principal office

5401 Westford Avenue, Bethesda, MD 20814

If books and records are not at above address, specify where they are kept

Name of principal officer of foundation

Dr. Basil N. Tauber

Public Inspection (See Instruction C):

(a) Enter date the notice of availability of annual report appeared in newspaper ▶ May 2, 1976

(b) Enter name of newspaper ▶ The Sun

(c) Check here ☒ if you have attached a copy of the newspaper notice as required by instruction "C." (If the notice is not attached, the report will be considered incomplete.)Check box for type of annual return ▶ ☒ Form 990-PF ☐ Form 5227

Revenues

1 Amount of gifts, grants, bequests, and contributions received for the year	331,335.00
2 Gross income for the year	11,210.23
3 Total	342,545.23

Disbursements and Expenses

4 Disbursements for the year for the purposes for which exempt (including administrative expenses)	58,371.38
5 Expenses attributable to gross income (item 2 above) for the year	-0-

Foundation Managers

6 List all managers of the foundation (see section 4946(b) IRC):

Name and title	Address where manager may be contacted during normal business hours
Dr. Basil N. Tauber, President	4600 King St., Alex, Va.
Mr. Andrew M2026, Secretary	5401 Westford Ave., Beth, MD
Dr. Alfred S. Tauber, Vice-Pres.	Boston, Mass.
Engr. D. Tauber, Treasurer	10201 Grosvenor Pl., Rockville, MD

6a List here any managers of the foundation (see section 4946(b) IRC) who have contributed 2 percent of the total contributions received by the foundation before the close of any taxable year (but only if they have contributed more than \$5,000). (See section 507(d)(2).)

Dr. Basil N. Tauber

6b List here any managers of the foundation (see section 4946(b) IRC) who own 10 percent or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10 percent or greater interest.

TFDN 000375

TAUBER FOUNDATION, INC.

I.D. 52-6054648

Notice of availability of the Tauber Foundation, Inc., annual report has been published in the Sentinel, a Montgomery County newspaper, on May 7, 1976.

Copy of said notice is attached hereto.

LASZLO N. TAUBER, M.D.

TFDN 000376

J.APP. 4219

Balance Sheet Per Books at the Beginning of the Year

Assets		Liabilities	
Cash	15,975.76	Accounts payable	
Accounts and notes receivable		Contributions, gifts, grants, etc. payable	
Inventories <i>Medical Instruments</i>	2,564.85	Bonds and notes payable	
Securities		Mortgages payable	
Government obligations		Other liabilities	
Corporate bonds		Total liabilities	-0-
Corporate stocks		Net Worth	
Mortgage loans	72,900.58	Principal fund	166,317.44
Real estate - land	75,000.00		
Less: Depreciation	-0-	Income fund	
Other assets			
Less: Depreciation		Total net worth	166,317.44
Total assets	166,317.44	Total liabilities and net worth	166,317.44

Itemized Statement of Securities and All Other Assets Held at the Close of the Taxable Year

Asset	Book value	Market value
Cash	7,981.00	7,981.00
1st Recd of Trust, Note Receivable	135,138.61	135,138.61
Land	75,000.00	75,000.00
Stock - 15,000 shares - Jeff. Memorial Hosp., Inc.	223,000.00	223,000.00
Medical Instruments	2,564.85	2,564.85
Total	445,684.46	445,684.46

TFDN 000377

J.APP. 4220

Grants and Contributions Paid or Approved for Future Payment During the Year

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Concise statement of purpose of grant or contribution	Amount
Paid during year			
ROBERT BRIDGEMAN HOSPITAL		MEDICAL RESEARCH	10,000.00
WORLD FEDERATION OF HUNGARIAN TEARS		FOR DIST. TO HEBERT HUNGARIAN TEARS	2,000.00
AMERICAN JEWISH TEARS DIST. COMMITTEE		DIST. TO HEBERT TEARS	10,000.00
TORONTO JEWISH ASSN. OF HUNGARIAN DESCENDANTS		FOR DIST. TO HEBERT HUNG. TEARS	35,761.72
JEWISH SOCIAL SERVICE SOCIETY		FOR ANNUAL AGENT ACTIVITIES	10,000.00
HEART TRANSPLANT FUND - JOHN HEDGECOCK MCDONALD		HEART TRANSPLANT RESEARCH	10,000.00
Total			57,961.72
Approved for future payment			
Total			

A notice has been published that this Annual Report is available for public inspection at the principal offices of the foundation, and copies of this Annual Report have been furnished to the Attorney General (or his designate) of each State entitled to receive reports as required by instruction "F."

Date: 5/17/76 Signature of foundation manager: [Signature] Title: [Blank]
 Date: [Blank] Signature of individual or firm preparing the report: [Signature] Date: 5/17/76
 Date: [Blank] Signature of individual or firm preparing the report: [Blank] Date: [Blank]
 Date: [Blank] Signature of individual or firm preparing the report: [Blank] Date: [Blank]

Instructions

A. Annual Report.—An annual report is required from the foundation managers (as defined in section 4945(b)) of every organization which is a private foundation, including a nonexempt trust described in section 4947(a)(1) which is treated as a private foundation, having at least \$5,000 of assets at any time during a taxable year. A private foundation may use this form for its annual reporting requirements.

If you prefer not to use this form, you may prepare the report in printed, typewritten or any other form you choose, provided it readily and legibly discloses the information required by section 6056 and the regulations thereunder.

The annual report is in addition to and not in lieu of submitting the information required on Form 990-PF under section 6033.

B. Where and When to File.

(1) **Tax-exempt private foundation.**—File the report at the time and place specified for filing Form 990-PF, Return of Private Foundation Exempt from Income Tax.

(2) **Nonexempt trust described in section 4947(a)(1) and treated as a private foundation.**—File the report at the time and place specified for filing Form 5227, Return of Nonexempt Charitable or Split-Interest Trust Treated as a Private Foundation under section 4947(a) of the Internal Revenue Code.

C. Public Inspection of Private Foundation's Annual Reports.—As a foundation manager, you must make the annual report required by section 6056 available at the principal office of the foundation for inspection during regular business hours by any citizen who so requests within 180 days after publication of notice of its availability; or, if you choose, you may furnish a copy free of charge to such persons requesting inspection, provided these persons do so at the time and manner prescribed in section 6104(d) and the regulations thereunder.

The notice must be published not later than the day prescribed for filing the annual report (determined with regard to any extensions of time for filing), in a newspaper having general circulation in the county in which the principal

office of the private foundation is located. The notice must state that the annual report of the private foundation is available at its principal office during regular business hours for inspection by any citizen who so requests within 180 days after the date of the publication. It must also show the address of the private foundation's principal office and the name of its principal manager. A private foundation may designate in addition to its principal office, or (if the foundation has no principal office or none other than the residence of a substantial contributor or foundation manager) instead of such office, any other location where its annual report is available.

The term "newspaper having general circulation" shall include any newspaper or journal which is permitted to publish statements in satisfaction of State statutory requirements relating to transfer of title to real estate or other similar legal notices.

A copy of the notice must be attached to the annual report filed with the Internal Revenue Service.

A private foundation which has terminated its status as such under section 507(b)(1)(A), by distributing all its net assets to one or more public charities without retaining any right, title or interest in such assets, does not have to publish notice of availability of its annual report or furnish such report to the public for the taxable year in which it so terminates (Reg. 1.507-2(a)(6)).

D. Signature and Verification.—The report must be signed by the foundation manager.

E. List of States.—A private foundation is required to attach to its Form 990-PF a list of all States:

(1) to which the organization reports in any fashion concerning its organization, assets, or activities; and

(2) with which the organization has registered (or which it has otherwise notified in any manner) that it intends to be, or is a charitable organization or that it is, or intends to be, a holder of property devoted to a charitable purpose.

F. Furnishing of Copies to State Officers; List of States.—The foundation managers must

furnish a copy of the annual report (required by section 6056) to the Attorney General (or his designate) of (1) each State listed for Form 990-PF above, (2) the State in which the principal office of the foundation is located, and (3) the State in which the foundation was incorporated or organized. Such report must be furnished at the same time it is sent to the Internal Revenue Service. In addition, the foundation managers shall provide upon request a copy of the annual report to the Attorney General or other appropriate State officer of any other State. The foundation manager shall also attach to the report a copy of the Form 990-PF (or Form 5227 for a 4947(a)(1) trust) and a copy of the Form 4720 (if any) filed by the foundation with the Internal Revenue Service for the year.

G. Penalty for Failure to File Report and Notice on Time.—If a private foundation fails to file the annual report on or before the due date, or to comply with the requirements under "C" above, there will be imposed on the person (anyone under a duty to perform the act), a \$10 penalty for each day during which the failure continues, not to exceed \$5,000. (See section 6652(d)(3).) If more than one person is liable, all such persons shall be jointly and severally liable with respect to such failure. Organizations that have given notice under section 508(b) as to their status and have not received a letter from the Internal Revenue Service containing a determination as to such status—refer to Revenue Procedure 72-21, 1972-1 C.B. 759, or later revisions, for rules relating to relief from the penalty provision of section 6652. If the failure to file the annual report or comply with "C" is willful, there will be imposed, in addition to the amount mentioned above, a penalty of \$1,000 for each such report or notice. (See section 6683.)

H. Foreign Organizations.—A foreign organization which has received substantially all of its support (other than gross investment income) from sources outside the United States will not be subject to the requirements of instructions "C" and "F" above.

TFDN 000378

J.APP. 4221

JEFFERSON MEMORIAL HOSPITAL

4800 KING STREET, ALEXANDRIA, VIRGINIA 22302

TELEPHONE: 703/931-2800

August 8, 1966

Mr. Bernard Krakow
Attorney at Law
837 Warner Building
Washington 4, D.C.

Dear Bernie:

In regards to Jefferson Memorial Hospital's application for tax exemption, I submit the following:

1. As you know, the corporation was formed as a profit making one, but only on paper, because many months before the hospital was opened, the charter was changed to a non-profit one. The reason for the change was that almost 100% of the sponsors felt that due to the ever rising cost of hospitalization, it would not be right to form a profit-making organization. Since all of us have excellent practices, we therefore decided that any money realized from the operation of the hospital for eventual extension, and improvement of medical care, and also, if possible, for lowering the cost of hospitalization. I repeat that this hospital never worked with the original charter, that is a profit-making organization, and the change was made many months before we started.
  - (a) The land was donated December 30, 1964. Equipment was purchased the end of 1964 and the beginning of 1965. Leases were cancelled January 1, 1965. The sponsors assumed all the money up to one million dollars in the building. The equipment, paid for and owned by the sponsors, is being used by the hospital for one dollar a year for 10 years.
- 2., 3., and 4. Copies of leases are enclosed.
5. Mr. Gregory Pappas is still leasing space from us.

TAUBER-PRIV-001279

Trial Exhibit
No. 603.

J.APP. 4222

Page 2.

If there is any additional information which you need, please advise me of such.

With personal regards,

Sincerely yours,

Lazlo N. Tauber, M.D.
Lazlo N. Tauber, M.D.

TAUBER-PRIV-001280

J.APP. 4223

LAW OFFICES OF
ROSS, MARSH & FOSTER
128 SOUTH ROYAL STREET
ALEXANDRIA, VIRGINIA 22314
(703) 838-2770

JOHN THORPE RICHARDS
RESIDENT PARTNER

WASHINGTON OFFICE
730 FIFTEENTH STREET, N.W.
WASHINGTON, D.C. 20005

July 24, 1972

Dr. Laszlo N. Tauber, President
Jefferson Memorial Hospital
4600 King Street
Alexandria, Virginia 22302

Re: Appeal of Real Estate
Tax Assessment for the
year 1972

Dear Dr. Tauber:

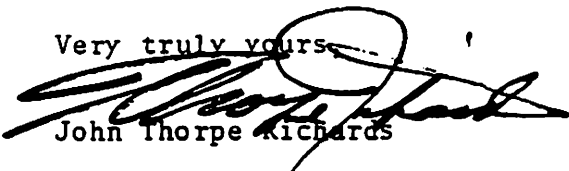
In accordance with previous requests by you and Mr. Craig Forthman, former Administrator of the hospital, I wish to advise that I have filed notices of appeal to the Alexandria Board of Real Estate Tax Equalization on those properties of the hospital which are owned by the Tauber Foundation, Dr. Novak, Dr. Gondor and the building which is owned by the Jefferson Memorial Associates. I am doing this at the behest of the hospital, since under the leases on the ground and the hospital building, the hospital as lessee is required to pay any real estate taxes assessed against the property.

I wish to advise further, that I am retaining the services of Mr. Scott Humphrey, of the R. L. Kane Real Estate Company to assist me in prosecuting this appeal. In my judgment, Mr. Humphrey is one of the foremost real estate appraisers in the Metropolitan area and has testified extensively in court cases.

This matter is set for hearing on August 15, 1972 and I will advise you as to the decision of the Board after that date.

With kind regards, I am

Very truly yours,


John Thorpe Richards

JTR:hk

Trial Exhibit
No. 610.

TAUBER-PRIV-000025

JAPP. 4224

JEFFERSON MEMORIAL HOSPITAL

4600 KING STREET, ALEXANDRIA, VIRGINIA 22302
TELEPHONE: 703/991-2800

May 18, 1973

Dear Stockholder:

As you know, Jefferson Memorial Hospital changed its corporate structure in July, 1971. At that time the hospital changed from a non-profit, non-stock institution to a for-profit, stock institution.

Attached is a copy of the merger agreement between the two organizations. Once the merger agreement is consummated, then the hospital will be incorporated in Delaware and authorized to do business in Virginia.

Mr. Reeves, the hospital attorney on this matter, is anxious to complete this merger agreement; so we will be able to transfer the deeds to the new corporation and finish up the necessary paper work.

A member of the hospital staff will be in touch with you within a few days to obtain your signature on the original merger agreement.

Sincerely,


LESLIE L. PETERS
Secretary

ENCL:

Trial Exhibit
No. 613.

SCU 000102

J.APP. 4225

Capitalization of Earnings Approach		
	Normalized Twelve Months Ended June 30, 1971 (1)	% of Net Operating Revenue
<u>Revenue:</u>		
Routine Services	\$ 1,985,348	
Special Services	1,802,021	
Total Gross Revenue	3,787,368	
Deductions and Allowances	(556,315)	
Other Operating Revenue	37,198	
Net Operating Revenue	3,268,252	
<u>Operating Expenses (Excl. Depreciation):</u>		
Total Salaries & Wages	1,386,795	42.4%
Administrative & General	149,925	4.6%
Dietary	197,671	6.0%
Housekeeping, Laundry	236,694	7.2%
Operation of Plant, Maintenance	58,538	1.8%
Other Supplies & Expenses	979,088	30.0%
Rent of Land & Building	111,315	3.4%
Taxes (other than Payroll & Income)	26,711	0.8%
Total Operating Expenses	3,146,736	96.3%
Operating Income	121,516	3.7%
<u>Other Income/(Expenses):</u>		
Rental Income	27,954	0.9%
Interest Income	10,856	0.3%
Miscellaneous Income	3,881	0.1%
Miscellaneous Expense	(12,102)	-0.4%
Other Income/(Expense)	30,590	0.9%
EBITDA	152,106	4.7%
Depreciation/Amortization	29,414	0.9%
EBIT	122,692	3.8%
Income Taxes @ 40%	49,077	
After-Tax Cash Flow	73,615	2.3%
<u>Adjustments to Cash Flow:</u>		
Add: Depreciation & Amortization	29,414	0.9%
Less: Capital Expenditures	32,683	1.0%
Less: Change in Net Working Capital	24,209	10.0%
Adjusted Cash Flow	46,137	
Capitalization Factor @ (Assuming 3% Cash Flow Growth)	17%	
Net Enterprise Value	271,397	
Less: Liabilities	1,069,509	
Net Equity Value	(798,112)	
Rounded	\$ (798,000)	
(1) Based on a weighted average of the prior three years' results of operations.		

Adjusted Book Value Approach	
Value of Book Equity as of June 30, 1971	\$ (392,568)

EXHIBIT

709(A)

J.APP. 4226

Capitalization of Earnings Approach		
	Normalized Twelve Months Ended April 18, 1973 (1)	% of Net Operating Revenue
<u>Revenue</u>		
Routine Services	\$ 2,204,456	
Special Services	2,359,005	
Total Gross Revenue	4,563,461	
Deductions and Allowances	(569,965)	
Other Operating Revenue	45,095	
Net Operating Revenue	4,038,590	
<u>Operating Expenses (Excl. Depreciation)</u>		
Total Salaries & Wages	1,643,648	40.7%
Administrative & General	171,690	4.3%
Dietary	217,186	5.4%
Housekeeping, Laundry	244,803	6.1%
Operation of Plant, Maintenance	63,899	1.6%
Other Supplies & Expenses	1,262,943	31.3%
Rent of Land & Building	119,789	3.0%
Taxes (other than Payroll & Income)	51,581	1.3%
Total Operating Expenses	3,775,540	93.5%
Operating Income	263,050	6.5%
<u>Other Income/(Expenses):</u>		
Rental Income	9,745	0.2%
Interest Income	3,268	0.1%
Miscellaneous Income	14,243	0.4%
Miscellaneous Expense	(4,498)	-0.1%
Other Income/(Expense)	22,758	0.6%
EBITDA	285,808	7.1%
Depreciation/Amortization	36,347	0.9%
EBIT	249,460	6.2%
Income Taxes @ 40%	99,784	
After-Tax Cash Flow	149,676	3.7%
<u>Adjustments to Cash Flow</u>		
Add: Depreciation & Amortization	36,347	0.9%
Less: Capital Expenditures	40,386	1.0%
Less: Change in Net Working Capital	26,421	10.0%
Adjusted Cash Flow	119,217	
Capitalization Factor @ (Assuming 3% Cash Flow Growth)	16%	
Net Enterprise Value	745,106	
Less: Liabilities	815,216	
Net Equity Value	(70,110)	
Rounded	\$ (70,000)	
(1) Based on a weighted average of the prior three years' results of operations.		

Adjusted Book Value Approach	
Estimated Unadjusted Book Value as of April 18, 1973	\$ 881,266
<u>Adjustments (1):</u>	
Plant & Equipment	(548,868)
Goodwill	(364,048)
Lease Agreement Payable	(280,000)
Mortgage Payable	603,132
Total Adjustments	(589,784)
Estimated Value of Adjusted Book Equity as of April 18, 1973	\$ 291,482
(1) Adjustments are made to account for the assets transferred and debt assumed as part of the transaction on July 1, 1971	

EXHIBIT

709 (B)

J.APP. 4227

Capitalization of Earnings Approach		
	Normalized Twelve Months Ended January 31, 1975 (1)	% of Net Operating Revenue
<u>Revenue:</u>		
Routine Services	\$ 2,357,534	
Special Services	3,061,729	
Total Gross Revenue	5,419,263	
Deductions and Allowances	(778,040)	
Other Operating Revenue	45,481	
Net Operating Revenue	4,686,703	
<u>Operating Expenses (Excl. Depreciation):</u>		
Total Salaries & Wages	1,936,227	41.3%
Administrative & General	245,091	5.2%
Dietary	251,424	5.4%
Housekeeping, Laundry	233,735	5.0%
Operation of Plant, Maintenance	73,828	1.6%
Other Supplies & Expenses	1,572,024	33.5%
Rent of Land & Building	105,449	2.2%
Taxes (other than Payroll & Income)	61,530	1.3%
Total Operating Expenses	4,479,308	95.6%
Operating Income	207,395	4.4%
<u>Other Income/(Expenses):</u>		
Rental Income	8,232	0.2%
Interest Income	1,892	0.0%
Miscellaneous Income	8,357	0.2%
Miscellaneous Expense	(3,811)	-0.1%
Other Income/(Expense)	14,670	0.3%
EBITDA	222,065	4.7%
Depreciation/Amortization	42,180	0.9%
EBIT	179,885	3.8%
Income Taxes @ 40%	71,954	
After-Tax Cash Flow	107,931	2.3%
<u>Adjustments to Cash Flow:</u>		
Add: Depreciation & Amortization	42,180	0.9%
Less: Capital Expenditures	46,867	1.0%
Less: Change in Net Working Capital	34,716	10.0%
Adjusted Cash Flow	68,528	
Capitalization Factor @ (Assuming 3% Cash Flow Growth)	17%	
Net Enterprise Value	403,106	
Less: Liabilities	987,770	
Net Equity Value	(584,664)	
Rounded	\$ (585,000)	
(1) Based on a weighted average of the prior three years' results of operations.		

Adjusted Book Value Approach (1)	
Estimated Unadjusted Book Value as of January 31, 1975	\$ 770,771
<u>Adjustments (2):</u>	
Plant & Equipment	(506,917)
Goodwill	(346,035)
Lease Agreement Payable	(280,000)
Mortgage Payable	528,625
Total Adjustments	(604,327)
Estimated Value of Adjusted Book Equity as of January 31, 1975	\$ 166,444
(1) All values are based on five months of operations in fiscal year 1995 and seven months in fiscal year 1975.	
(2) Adjustments are made to account for the assets transferred and debt assumed as part of the transaction on July 1, 1971.	

EXHIBIT

709(c)

Baker & L
Jefferson Memorial Hospital
Income Statement
Valuation Dates June 30, 1971/April 18, 1973/January 31, 1975

Exhibit IV

Valuation Dates	June 30, 1971/April 18, 1973/January 31, 1975								3 Year Weighted Average 1971		3 Year Weighted Average 1973		3 Year Weighted Average 1975			
	Twelve Months Ended October 31,		Annualized Ended June 30,		Twelve Months Ended June 30,											
	1969	1970	1971	1972	1973	1974	1975									
Revenue																
Routine Services	\$ 1,652,618	83%	\$ 1,886,098	51%	\$ 2,162,424	51%	\$ 2,180,681	49%	\$ 2,234,317	47%	\$ 2,250,711	42%	\$ 2,648,905	42%	\$ 1,985,348	52%
Special Services	984,960	37%	1,820,849	49%	2,081,822	49%	2,273,411	51%	2,515,128	53%	3,087,073	58%	3,656,912	58%	1,602,021	48%
Total Gross Revenue	2,637,578	100%	3,706,947	100%	4,224,246	100%	4,454,092	100%	4,749,445	100%	5,337,784	100%	6,303,817	100%	3,787,368	100%
Growth			41%		14%		7%		12%		16%					
Deductions and Allowances (% of gross revenue)	(341,990)	-13%	(443,862)	-12%	(702,725)	-17%	(535,748)	-12%	(548,525)	-12%	(896,937)	-17%	(857,337)	-14%	(556,315)	-15%
Other Operating Revenue (% of Net Revenue)*	36,569	2%	33,779	1%	39,687	1%	47,768	1%	45,115	1%	44,891	1%	46,048	1%	37,198	1%
Net Operating Revenue	2,332,157	100%	3,296,864	100%	3,561,209	100%	3,966,114	100%	4,248,035	100%	4,485,738	100%	5,492,526	100%	3,268,252	100%
Growth			41%		8%		7%		6%		22%					
Operating Expenses (Excl. Depreciation)																
Total Salaries & Wages	1,159,926	50%	1,328,929	40%	1,500,995	42%	1,820,833	41%	1,706,543	40%	1,875,999	42%	2,280,478	42%	1,388,795	42%
Administrative & General	200,496	9%	128,941	4%	148,391	4%	156,981	4%	189,262	4%	262,028	6%	287,874	5%	149,925	5%
Dietary	177,597	8%	195,237	6%	205,985	6%	210,920	5%	225,088	5%	258,199	6%	275,785	5%	197,671	6%
Housekeeping, Laundry	186,683	8%	215,089	7%	267,768	8%	249,535	6%	233,993	6%	222,662	5%	245,057	4%	236,694	7%
Operation of Plant, Maintenance	60,998	3%	54,813	2%	60,335	2%	73,550	2%	58,654	1%	67,241	1%	95,274	2%	58,538	2%
Other Supplies & Expenses	589,740	24%	1,025,574	31%	1,084,547	30%	1,247,488	31%	1,332,728	31%	1,557,855	35%	1,862,858	34%	979,088	30%
Rent of Land (Prior to 1972 also Bldg & Equip.)	115,462	5%	112,870	3%	109,029	3%	18,844	1%	20,006	0%	20,373	0%	21,055	0%	111,315	3%
Taxes (other than Payroll & Income)	32,580	1%	33,368	1%	20,304	1%	43,823	1%	67,179	2%	60,657	1%	62,380	1%	26,711	1%
Depreciation	25,650	1%	28,826	1%	32,621	1%	66,967	2%	69,537	2%	72,384	2%	84,948	2%	30,127	1%
Total Operating Expenses	2,529,130	106%	3,121,067	95%	3,429,972	96%	3,689,721	93%	3,902,998	92%	4,395,208	98%	5,215,707	95%	3,178,883	97%
Operating Income	(196,973)	-8%	175,797	5%	131,237	4%	278,393	7%	343,037	8%	90,530	2%	278,819	5%	91,388	3%
Other Income/(Expenses)																
Rental Income	74,850	3%	31,813	1%	9,750	0%	9,750	0%	9,740	0%	7,950	0%	7,038	0%	27,954	1%
Interest Income	15,237	1%	10,420	0%	9,887	0%	2,652	0%	1,538	0%	1,033	0%	3,184	0%	10,856	0%
Miscellaneous Income	3,386	0%	8,331	0%	2,414	0%	40,404	1%	746	0%	13,228	0%	182	0%	3,881	0%
Amortization of Goodwill		0%		0%		0%	(11,379)	0%	(11,377)	0%	(11,377)	0%	(11,377)	0%		0%
Loss on Disposal of Equipment	(733)	0%		0%	(8,650)	0%	(994)	0%	(307)	0%	(1,645)	0%	(6,731)	0%	(3,447)	0%
Interest Expense	(82,339)	-3%	(42,826)	-1%	(52,485)	-1%	(93,872)	-2%	(78,560)	-2%	(78,423)	-2%	(71,404)	-1%	(50,908)	-2%
Miscellaneous Expense	(4,110)	0%	(9,343)	0%	(16,805)	0%	(2,178)	0%	(2,010)	0%	(7,559)	0%	(482)	0%	(12,102)	0%
Other Income/(Expense)	26,291	1%	(3,605)	0%	(53,889)	-2%	(55,615)	-1%	(78,230)	-2%	(74,783)	-2%	(79,810)	-1%	(23,784)	-1%
Net Income Before Income Taxes	(170,682)	-7%	172,192	5%	77,348	2%	220,778	6%	264,807	6%	15,737	0%	197,209	4%	87,824	2%
Income Taxes (% of Income Before Income Taxes)							12,769	6%	124,833	47%	5,349	34%	74,785	38%		
Net Income							208,009	5%	139,974	3%	10,388	0%	122,414	2%		
EBITDA	(61,960)	-4%	243,644	7%	169,103	5%	393,990	10%	422,588	10%	177,576	4%	371,669	7%	152,106	5%
EBIT	(107,610)	-5%	215,018	7%	136,482	4%	315,644	8%	341,674	8%	93,805	2%	275,344	5%	121,979	4%

Baker & Ho:
Jefferson Memorial Hospital
Adjusted Balance Sheet

exhibit V

	Twelve Months Ended October 31,				Eight Months Ended June 30,				Twelve Months Ended June 30,									
	1967		1968		1969		1970		1971		1972		1973		1974		1975	
Current Assets																		
Cash - Unrestricted	\$80,045	8%	\$116,035	11%	\$58,256	6%	\$54,791	6%	\$56,247	7%	\$19,855	2%	\$97,344	7%	\$42,889	4%	\$24,002	2%
Notes Receivable	323,009	31%	227,911	21%	173,158	19%	90,458	10%	4,600	1%	19,775	2%	18,775	1%	50,239	5%	15,805	1%
Accounts Receivable:	567,725	55%	695,135	64%	609,403	67%	671,432	76%	741,431	87%	930,905	90%	1,154,964	87%	850,266	83%	961,934	85%
Accrued Interest Receivable	5,343	1%	6,691	1%	9,867	1%	13,968	2%	7,239	1%	8,704	1%	8,206	1%	7,658	1%	2,858	0%
Inventories	27,210	3%	29,526	3%	25,978	3%	19,465	2%	20,152	2%	22,222	2%	23,413	2%	24,125	2%	28,146	2%
Prepaid Expenses	17,939	2%	15,381	1%	28,721	3%	24,821	3%	26,757	3%	31,461	3%	29,806	2%	44,666	4%	102,240	9%
Other Assets	11,000	1%	-	0%	-	0%	2,917	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total Current Assets	1,032,271	100%	1,090,679	100%	905,381	100%	877,852	100%	856,426	100%	1,032,922	100%	1,332,508	100%	1,019,843	100%	1,134,985	100%
Other Assets																		
Plant and Equipment	433,113		447,892		431,807		447,388		433,325		440,580		438,590		432,941		731,989	
Goodwill	-		-		-		-		-		-		-		-		-	
Other	-		3,000		3,020		3,020		3,000		9,794		10,618		-		-	
Total Other Assets	433,113		450,892		434,827		450,408		436,325		450,374		449,208		432,941		731,989	
Total Assets	1,465,384		1,541,571		1,340,208		1,328,260		1,292,751		1,483,296		1,781,716		1,452,784		1,866,974	
Current Liabilities																		
Accounts Payable	427,130	83%	435,459	79%	736,923	81%	503,390	73%	473,109	77%	367,576	61%	332,671	49%	251,163	71%	458,101	68%
Accrued Expenses	87,936	17%	112,407	21%	174,832	19%	190,898	27%	142,701	23%	68,445	11%	106,190	16%	76,738	22%	84,949	13%
Contract Payable	-		-		-		-		-		158,763	26%	124,124	18%	89,485	25%	60,619	9%
Income Taxes Payable	-		-		-		-		-		12,769	2%	112,033	17%	(62,401)		68,795	10%
Total Current Liabilities	515,066	100%	547,866	100%	911,755	100%	694,288	100%	615,810	100%	607,553	100%	675,018	100%	354,985	118%	672,464	100%
Other Liabilities																		
Provision for Group Hospitalization Adjustment	60,000		133,000		12,000		74,000		193,000		163,587		58,438		-		-	
Provision for Medicare Adjustment	-		-		-		78,000		87,111		59,816		62,751		7,493		-	
Provision for Medicaid Adjustment	-		-		-		-		7,861		7,861		9,000		-		-	
Notes Payable (various creditors, majority secured)	466,490		295,852		192,100		120,698		84,503		26,166		1,384		90,000		119,755	
Lease Agreement Payable (Equipment)	322,500		280,000		280,000		280,000		280,000		280,000		280,000		305,412		299,659	
Bond Payable (8% Interest)	386,000		403,500		403,500		343,500		319,000		299,500		299,500		299,500		647,770	
Mortgage Payable	-		-		-		-		-		-		-		-		-	
Advance Deposits - Medicare	-		53,000		40,500		63,000		43,000		103,000		98,000		59,000		48,117	
Advance Deposits - Group Hospitalization, Inc.	-		28,000		59,000		59,000		59,000		c/l		c/l		c/l		c/l	
Funds Held in Escrow	780		32,302		627		2,356		3,895		4,834		6,143		-		-	
Other	300		-		-		-		-		-		-		30,751		12,193	
Total Other Liabilities	1,236,070		1,225,654		987,727		1,020,554		1,069,509		944,764		815,216		792,156		1,127,494	
Total Liabilities	1,751,136		1,773,520		1,899,482		1,714,842		1,685,319		1,552,317		1,490,234		1,147,141		1,799,958	
Equity	(285,752)		(231,949)		(559,274)		(386,582)		(392,568)		(69,021)		291,482		305,643		67,016	
Total Liabilities and Equity	1,465,384		1,541,571		1,340,208		1,328,260		1,292,751		1,483,296		1,781,716		1,452,784		1,866,974	
Net Working Capital	517,205		542,813		(6,374)		183,564		240,616		425,369		657,490		664,858		462,521	
Net Working Capital as % of Operating Revenue	28.4%		28.2%		-0.3%		5.6%		10.1%		10.7%		15.5%		14.8%		8.4%	
Change in Working Capital	-		25,608		(549,187)		189,938		57,052		184,753		232,121		7,368		(202,337)	

* Adjusted to account for the assets transferred and debt assumed as part of the transaction on July 1, 1971.

EXHIBIT

709 (E)

Jefferson Memorial Hospital
Weighted Average Cost of Capital
Capital Asset Pricing Model
Valuation Date: June 30, 1971

Exhibit VI

Assumptions:

Risk-free Rate (20 Year Government Bond - June 30, 1971)
Pretax Cost of Debt (Moody's Baa Bond Rate - Average 1970)
Equity Risk Premium (Ibbotson Data)
Small Stock Premium (Ibbotson Data)
Effective Tax Rate
Beta
Alpha
Long-Term Debt as a % of Total Capitalization
Market Value of Equity as a % of Total Capitalization

Rf = 6.41%
i = 9.11%
Rp = 8.73%
Ssp = 5.52%
t = 40.00%
B = 1.50
A = 0.00%
D = 42.00%
E = 58.00%

Comparable Company Analysis (See note below)

	Dec. 1975 Beta (Observ)	Debt	Equity	Total Capital	Debt/ Equity	Debt/ Capital	Tax Rate	Unlever. Beta
National Medical Enterprises	1.76	17.233	32.281	49.514	53.4%	34.8%	40.0%	1.33
American Medicorp Inc.	1.52	89.415	97.092	186.507	92.1%	47.9%	40.0%	0.98
Humana Inc.	1.24	77.008	71.010	148.018	108.4%	52.0%	40.0%	0.75
HCA Hosp Corp of America	1.65	60.359	124.094	184.453	48.6%	32.7%	40.0%	1.28
Average	1.54				72.0%	42.0%		1.08

Relevered Beta Analysis

Beta (Unlevered)	1.08
D/E	0.72
Tax Rate	0.40
Beta (Relevered)	1.50

Relevering Calculations

Unlevered Beta = Beta (Observ) / (1 + D/E (1 - t))
Relevered Beta = Unlevered Beta * [1 + D/E (1 - t)]

Weighted Average Cost of Capital

	Weighting	WACC
Cost of Debt [Baa * (1 - t)] =	5.5%	2.3%
Cost of Equity [Rf + b (Rp) + Ssp + A] =	25.0%	14.5%
		16.8%
	Rounded	17.0%

Note: Company financial information is based on Compustat data as of December 31, 1970.

EXHIBIT

707(F)

J.APP. 4231

VIRGINIA:

IN THE CIRCUIT COURT OF THE CITY OF ALEXANDRIA

COMMONWEALTH OF VIRGINIA, ex rel.)
JAMES S. GILMORE,)
ATTORNEY GENERAL OF THE)
COMMONWEALTH OF VIRGINIA,)

Complainants,)

v.)

LASZLO N. TAUBER, SAMUEL)
BURTOFF, MICHAEL A. CORRADO,)
DAN J. FERIOZI, IRWIN S. FREEDMAN,)
LESLIE P. GONDOR, REGINALD P.)
MCMANUS, LESLIE L. PETERS,)
MAGDOLNA A. IRANYI, AND JAMES)
H. SCULLY,)

Respondents.)

CHANCERY NO. CH950516

REPORT OF ARTHUR H. COBB

QUALIFICATIONS

Cobb & Associates, Ltd., a professional corporation, has been retained by Baker & Hostetler to assist representation of Respondents in the above matter.

I am president of Cobb & Associates, Ltd. with offices at 4010 IDS Center, Minneapolis, Minnesota 55402, and have had primary responsibility for this engagement. Cobb & Associates, Ltd. practices in the areas of litigation support and capital finance. I was a partner in Peat, Marwick, Mitchell & Co., now KPMG Peat Marwick, and was a member of the professional staffs of other public accounting and management consulting firms. I was an Assistant Professor in the Department of Accounting at the University of Minnesota and a Teaching Assistant and Research Assistant at the University of Iowa. (A copy of my resume is attached hereto.)

Since 1974, I have been engaged in providing professional services in financial matters, with particular experience in the health care industry. I have conducted engagements regarding analysis of physician staffs, demand for services, competitive factors, financial operations and prospective operations of general-acute hospitals. I have analyzed the historical progress and development of general acute facilities in various metropolitan areas. I have conducted economic feasibility studies and analysis of debt capacity.

I have assisted preparation and presentation of Certificate of Need (Certificate of Public Need) applications. I have conducted engagements regarding corporate structure and establishment of for-profit and not-for-profit health care corporations. I am familiar with and have advised Boards of Trustees and Boards of Directors regarding 501 (c)(3) status.

I have been involved in numerous valuations of the fair market value of businesses in various industries to support merger, acquisition, divestiture, corporate planning and securities disputes. I have presented seminars regarding valuation of equity interests for industry and professional groups.

In the area of litigation support, I have been retained to assist representation of plaintiffs and defendants in a number of litigated matters and have offered testimony in state and federal courts.

ANALYSIS

I have made a preliminary estimate of the fair market value of Jefferson Memorial Hospital, Inc. (JMHI) as of June 30, 1971, and of equity in Jefferson Memorial Hospital Corporation (JMHC) as of April 18, 1973 and January 29, 1975. I have conducted a preliminary analysis of the operations and financing of Jefferson Memorial Hospital. I have also conducted a preliminary analysis of transactions between JMHI and King Street Joint Venture or Jefferson Memorial Hospital Associates, between JMHI and Jefferson Memorial Hospital Corporation, and between JMHC and Jefferson Memorial Hospital Joint Venture.

My analysis is ongoing and may require consideration of additional documents and information, including documents and information in the possession or control of Complainants.

Complainants have not yet set forth specific claims, therefore, my analysis does not include rebuttal to specific analysis, or opinions and the basis and reasons for opinions which Complainants may set forth.

SUMMARY OF OPINIONS TO BE EXPRESSED AND THE BASIS AND REASONS THEREFORE

BACKGROUND

King Street Joint Venture

King Street Joint Venture (KSJV) acquired certain parcels of land by purchase or lease during the 1960's and constructed Jefferson Memorial Hospital. Construction was financed without government (Hill Burton) or community funding. Jefferson Memorial Hospital was leased to Jefferson Memorial Hospital, Inc.

Jefferson Memorial Hospital Associates

Jefferson Memorial Hospital Associates (JMHA) was a successor to King Street Joint Venture.

Jefferson Memorial Hospital, Inc.

Jefferson Memorial Hospital, Inc., a Maryland corporation, (JMHI) was incorporated on or about March 13, 1963. In August 1964, JMHI had as its purpose "To establish and maintain a hospital center and adjuncts convenient and necessary for its proper administration; to receive and administer funds for scientific, educational, charitable purposes, all for the public welfare, and for no other purposes..." No part of the net income of JMHI was to inure to the private benefit of any individual. In the event of dissolution of JMHI, all net assets after payment of all bills and expenses of dissolution were to be distributed for such purposes as specified in Section 501 (C) of the Internal Revenue Service Code of 1954 and were not to be distributed to any members of JMHI.

Facilities

JMHI operated a 120 bed general acute hospital, Jefferson Memorial Hospital (the Hospital), at 4600 King Street in Alexandria, Virginia. The Hospital was constructed in 1964 and 1965 with 96 beds and was expanded to 120 beds in 1968. JMHI did not own the Hospital building, all of the land or all of the equipment used in operation of the Hospital but leased the Hospital building, certain land and certain equipment.

JMHI leased the original Hospital building for 40 years commencing on January 1, 1966 with an option to renew for an additional 19 years. Annual rent was \$80,940 with a provision that on each tenth anniversary of the commencement date of the lease the annual rate could be adjusted by a formula based on the wholesale price index. Under the terms of the lease JMHI paid all

maintenance, insurance and taxes on the property.

JMHI separately leased the 24-bed addition to the Hospital which was completed in 1968. No final leasing agreement had been entered into as of June 30, 1971, however, JMHI expected to pay and accrued \$11,232 per annum for lease payments.

JMHI had two leases for the greater portion of land underlying the Hospital building and site. One land lease was for 99 years commencing January 1, 1966 with annual rent of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rent could be adjusted by a formula based on the wholesale price index. The second land lease was for 99 years commencing January 1, 1966 with annual rent of \$2,406.80.

JMHI leased certain hospital equipment. The lease was for 10 years commencing January 2, 1966, at which time the equipment was to be contributed to JMHI. The annual rent was \$17,500 for the first two years; \$25,000 for the second two years; and \$42,500 for the subsequent six years. No curtailment of this liability was made by JMHI from 1968 through June 30, 1971. In addition to the annual rental, the Hospital was to provide and pay all maintenance, repairs, taxes and insurance on the equipment. Lease equipment was entered on the books of JMHI at the value determined by Marshall and Stevens, Incorporated.

Medical Staff and Employees

The Board of Directors of JMHI and JMHC and senior management of the Hospital were comprised of members of the Hospital's medical staff. Medical staff physicians focused primarily on their individual practices and did not maintain pace with the rapidly changing and increasingly sophisticated hospital industry.

The Hospital did not enjoy strong administrative or financial management.

Service Area

Jefferson Memorial Hospital's primary service area included the City of Alexandria and Arlington County. Jefferson Memorial Hospital's secondary service area included Fairfax County. The 1970 and 1980 population of the City of Alexandria; Arlington County; Fairfax County; Washington, D.C. Metropolitan Area; and the Commonwealth of Virginia are as follows:

	<u>1970</u>	<u>1980</u>	<u>Percent Change</u>
<u>Primary Service Area</u>			
City of Alexandria	110,938	103,217	(7.0)%
Arlington County	<u>174,284</u>	<u>152,599</u>	<u>(12.4)</u>
Total Primary Service Area	285,222	255,816	(10.3)
<u>Secondary Service Area</u>			
Fairfax County	455,021	596,901	31.2
Commonwealth of Virginia	4,651,000	5,347,000	15.0
Washington, D.C. Metropolitan Area	3,040,000	3,251,000	6.9

Source: United States Department of Commerce, Bureau of the Census

Competitive Hospitals

Jefferson Memorial Hospital competed with general acute care hospitals located in the City of Alexandria, Arlington County and Fairfax County, including hospitals which were larger and which provided a broader range of services. The number of beds, admissions and percent occupancy

reported for 1971, 1973 and 1975 for general acute hospitals in the Hospital's primary and secondary service areas are summarized as follows:

Hospital	1971			1973			1975		
	Beds	Admissions	Occupancy Percent	Beds	Admissions	Occupancy Percent	Beds	Admissions	Occupancy Percent
<u>City of Alexandria</u>									
Jefferson Memorial Hospital	119	5,065	84.0%	119	5,092	79.0	119	4,819	78.2
Alexandria Hospital	330	14,154	80.9	337	14,383	81.0	344	13,875	75.3
Circle Terrace Hospital	127	5,058	82.7	127	5,243	84.3	124	4,887	78.0
<u>Arlington County</u>									
Arlington Hospital	266	9,349	85.5	268	9,094	76.1	325	10,028	76.1
National Orthopedic and Rehabilitation Hospital	126	2,777	75.4	128	3,130	82.8	141	3,518	77.3
Northern Virginia Doctors Hospital	<u>267</u>	<u>8,159</u>	75.3	<u>267</u>	<u>9,316</u>	73.8	<u>267</u>	<u>8,629</u>	71.5
Subtotal	1,235	44,562		1,246	46,258		1,320	45,756	
<u>Fairfax County</u>									
Commonwealth Doctors Hospital	80	3,810	90.0	131	4,716	72.9	131	5,873	75.6
Fairfax Hospital	<u>494</u>	<u>19,146</u>	86.6	<u>584</u>	<u>25,537</u>	84.8	<u>616</u>	<u>27,419</u>	82.1
Subtotal	574	22,956		715	30,253		747	33,292	
Total	<u>1,809</u>	<u>67,518</u>		<u>1,961</u>	<u>76,511</u>		<u>2,067</u>	<u>79,048</u>	

Source: American Hospital Association

Jefferson Memorial Hospital admissions increased .5 percent from 5,065 in 1971 to 5,092 in 1973 and decreased 5.4 percent from 5,092 in 1973 to 4,819 in 1975. Admissions in the primary service area increased 2.7 percent and total admissions increased 17.1 percent from 1971 through 1975. The Hospital's shares of admissions decreased from approximately 7.5 percent (5,065/67,518) in 1971 to approximately 6.7 percent (5,092 / 76,511) in 1973 and to approximately 6.1 percent (4,819/79,048) in 1975. Alexandria Hospital, Arlington Hospital and Fairfax Hospital added 195 beds (14, 59 and 122 respectively) from 1971 to 1975. Alexandria Hospital relocated from a downtown Alexandria location to a new facility approximately 3.5 miles west of downtown.

Circle Terrace Hospital was acquired by Hospital Corporation of America (HCA) during late 1972. HCA acquired the operations, property, plant and equipment of Circle Terrace Hospital for stock of HCA, valued at approximately \$3,800,000, before illiquidity discount. Circle Terrace

Hospital number of beds, admissions and occupancy percent for 1971 and 1972 are summarized as follows:

	<u>Beds</u>	<u>Admissions</u>	<u>Occupancy Percent</u>
1971	127	5,058	82.7%
1972	124	5,300	85.0

Source: American Hospital Association

Circle Terrace Hospital admissions increased 4.8 percent and occupancy percent increased from 82.7 percent to 85.0 percent (83.0 percent calculated based on 127 beds) from 1971 to 1972. (Jefferson Memorial Hospital admissions increased 3.0 percent and occupancy percent decreased from 84.0 percent to 81.5 percent from 1971 to 1972).

No representatives or agents of HCA or any other health care corporation inquired regarding acquisition of Jefferson Memorial Hospital.

The shares of HCA stock were "restricted" and, therefore, the value of the shares was subject to a discount for illiquidity. Publicly traded corporations often issued restricted stock for acquisitions. Restricted securities were often purchased at a discount, frequently substantial, from the market price of outstanding unrestricted securities of the same class. This reflects the fact that securities which cannot be readily sold in the public market place are less valuable than securities which can be sold.

Insurance and Medicare

Most private insurance carriers, other than Blue Cross, reimbursed their policy holders or made direct payments to hospitals for charges at rates specified in their policies. The patient remained responsible to the hospital for any difference between the insurance proceeds and the total

charges. Virginia Blue Cross was administered under contracts with hospitals providing for payment under a formula based on cost of services, but only charges for those additional services not covered by Blue Cross policies could be collected from patients.

Medicare made payments to participating hospitals under a cost reimbursement plan. Under the Medicare program in the early 1970's, hospitals were paid the allowed direct and indirect costs (including depreciation and interest) of the services furnished and a percentage pre-tax return on net equity capital (as defined under Medicare) invested and used in the provision of patient care. Medicare payments were made periodically on the basis of estimated costs and were subject to adjustment on the basis of actual costs as reported annually. Such annual reports were subject to government audit which could result in adjustment of payments. Patients were not responsible for any differences between the hospital's normal charges for services covered by Medicare and the amounts reimbursed to the hospital for Medicare services.

A bill (HR-17550) passed the House of Representatives and the Senate and was pending in a joint Senate-House conference committee at the close of the 91st Congress. In early 1971, it was anticipated that similar legislation would be introduced in the 92nd Congress. HR-17550 would have empowered the Secretary of Health, Education and Welfare to exclude from reimbursable costs certain incurred hospital costs which he determined to be unnecessary to efficient delivery of health services. Furthermore, hospitals participating in Medicare and Medicaid would have been required to obtain the approval (Certificate of Public Need) of a regional planning agency for proposed capital expenditures (whether to be owned or leased) in order to include as a reimbursable cost any amount attributed to depreciation, interest on borrowed funds or a return on equity capital related to such capital expenditure.

Hospitals participating in Medicare and Medicaid, including Jefferson Memorial Hospital were required to obtain approval (Certificate of Public Need) from the designated planning agency for capital expenditures in excess of \$100,000 after January 1, 1973 under the provision of Public Law 92-603.

Financial Operations

JMHI's Statements of Income for the years ended October 31, 1968, 1969 and 1970 and for the eight month period ended June 30, 1971 are summarized as follows:

	Years Ended October 31,			Eight Months Ended June 30,
	1968	1969	1970	1971
Revenue from Services to Patients	\$2,091,075	2,637,578	3,706,947	2,816,164
Other Operating Income	<u>52,672</u>	<u>36,569</u>	<u>33,779</u>	<u>26,458</u>
Revenue from Services to Patients	2,143,747	2,674,147	3,740,726	2,842,622
Deductions from Revenue	<u>221,613</u>	<u>341,990</u>	<u>443,862</u>	<u>468,483</u>
Total Net Operating Revenue	1,922,134	2,332,157	3,296,864	2,374,139
Operating Expenses	<u>1,942,995</u>	<u>2,529,130</u>	<u>3,121,067</u>	<u>2,286,648</u>
Net Operating Income (Loss)	(20,861)	(196,973)	175,797	87,491
Other Income and Expense	<u>36,220</u>	<u>26,291</u>	<u>(3,605)</u>	<u>(35,926)</u>
Income (Loss) Before Income Taxes	15,359	(170,682)	172,192	51,565
Income Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 15,359</u>	<u>(170,682)</u>	<u>172,192</u>	<u>51,565</u>

Deductions from revenue (contractual allowance, non-contractual patients, employees and professional courtesy and uncollectible accounts) totalled \$1,475,948 during the forty-four months from November 1, 1967 through June 30, 1971 and increased from \$221,613 or 10.3 percent of revenue from services to patients in fiscal year 1968 to \$468,482 (\$702,724 annualized) or 16.5 percent of revenue from services to patients in the eight months ended June 30, 1971. Taxes on land and building totalled \$102,834 during the forty-four months from November 1, 1967 through June

30, 1971. Due to generation of a cumulative deficit and operating loss carryforwards no federal taxes on income were due through June 30, 1971. From inception through June 30, 1971 JMHI experienced cash flow problems.

From inception through June 30, 1971 JMHI did not generate cumulative net income but generated a cumulative deficit (annual net losses exceeded annual net income).

JMHI's Balance Sheet as of June 30, 1971 is summarized as follows:

<u>Assets</u>		<u>Liabilities and Deficit</u>	
Cash	\$ 56,247	Accounts Payable	\$ 473,109
Accounts Receivable (Net)	741,431	Accrued Expenses	142,701
Other Receivables	11,839	Provision for Contractual Adjustments	280,111
Inventories	20,152	Notes Payable	84,503
Plant and Equipment (Net)	433,325	Lease Agreement	280,000
Other Assets	<u>29,757</u>	Bond Payable	319,000
		Advance Deposits and Escrow	<u>105,895</u>
		Total Liabilities	\$1,685,319
		Deficit	<u>(392,568)</u>
Total Assets	<u>\$1,292,751</u>	Total Liabilities and Deficit	<u>\$1,292,751</u>

Plant and equipment (net) includes fixed assets owned by JMHI and does not include the Hospital building. Further, JMHI did not own all of the land or all of the equipment used by the Hospital. JMHI was unable to maintain working capital (current assets minus current liabilities) equal to two months of operating expenses.

JMHI issued bonds and notes to finance operations. Bonds bearing interest at eight percent were issued to certain physician members of the Hospital's medical staff and of JMHI's board. Certain of JMHI's notes were guaranteed by members of the Hospital's medical staff and of JMHI's board.

From inception through June 30, 1971, JMHI did not generate cumulative net income but generated a cumulative deficit (annual net losses exceeded annual net income) and reported liabilities

greater than assets, or negative assets, of \$392,568. From inception through June 30, 1971, JMHI did not make any distributions to members of the Board of Directors or to other parties.

Debt Capacity

JMHI's deficit or surplus available for debt service, before working capital requirements or capital expenditures, is estimated as follows:

	Years Ended October 31.	
	<u>1970</u>	<u>1971</u>
Net Income	\$172,192	51,565
Depreciation	28,626	21,747
Interest Expense	<u>42,826</u>	<u>34,990</u>
Available for Debt Service	<u>243,644</u>	<u>108,302</u>
Interest Expense	42,286	34,990
Curtailment of Notes Payable	111,402	36,195
Retirement of Bonds Payable	<u>90,500</u>	<u>24,500</u>
Debt Service	<u>244,728</u>	<u>95,685</u>
(Deficit) Surplus	<u>\$ (1,084)</u>	<u>12,617</u>
Debt Service Coverage	<u>.996X</u>	<u>1.132X</u>

JMHI did not generate amounts from operations through June 30, 1971 to support debt service (payment of principal and interest) on additional debt. JMHI reported plant and equipment, (including leased plant and equipment) net of accumulated depreciation of \$433,325 as of June 30, 1971. JMHI did not have substantial fixed assets to pledge as collateral against loans.

JMHI did not have the financial capacity to take on additional debt to fund operations or substantive capital expenditures, including equipment purchases or construction.

Income Taxes

The Internal Revenue Service (IRS) issued a ruling dated January 27, 1967 which held that

JMHI was exempt from Federal income tax under the provisions of Section 501 (a) of the Internal Revenue Code of 1954 as an organization described in Section 501 (c)(3). In January 1972 the IRS notified JMHI that the IRS had reconsidered the ruling dated January 27, 1967 and revoked the ruling. Revocation of the ruling was retroactive to the year beginning November 1, 1965. JMHI decided not to contest revocation of the ruling.

The Commonwealth of Virginia did not rule and did not declare JMHI exempt from state income taxes.

Acquisition and Dissolution

On July 1, 1971 JMHI entered a plan and agreement of reorganization for merger with JMHC. The economic substance of the merger was that JMHC would receive all of the net assets (assets and liabilities) of JMHI as of June 30, 1971 for issuance of 5,000 shares of JMHC stock. The transaction was not consummated as a merger, although the assets and liabilities of JMHI were acquired by JMHC as of June 30, 1971.

JMHI was dissolved by the State of Maryland on or about April 18, 1973.

Jefferson Memorial Hospital Corporation

Jefferson Memorial Hospital Corporation, a Delaware corporation (JMHC) was incorporated on or about June 3, 1971. JMHC had as its purpose "To establish, maintain and conduct a hospital for the treatment, care and relief of sick, infirm and injured persons; for the care and treatment of maternity cases; and for the study of the cause, nature, prevention and care of diseases and the dissemination of knowledge relating thereto, and the erection, equipment and maintenance of all building and laboratories necessary or incidental thereto..."

On July 1, 1971 JMHC entered a plan and agreement of reorganization for merger with JMHI. The economic substance of the merger was that JMHC would receive all of the net assets (assets and liabilities) of JMHI as of June 30, 1971 for issuance of 5,000 shares of JMHC stock. In late 1974 JMHC discovered that the merger had not been formally effected and that 5,000 shares of JMHC stock had not been issued. As a result, in January 1975 there was a formal confirmation of the transfer of assets and liabilities which had been accomplished as of June 30, 1971. JMHC and JMHI had conducted all business operations based on the June 30, 1971 transfer of assets and liabilities.

On July 1, 1971 JMHC entered an agreement with JMHA, the partnership whose main source of income was from the rental of the Hospital, whereby all of the net assets (assets and liabilities) of JMHA would be acquired for an exchange of 240,000 shares of stock of JMHC.

Financial Operations

JMHC's Statements of Income for the years ended June 30, 1972, 1973, 1974 and 1975 are summarized as follows:

	Years Ended June 30.			
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Revenue from Services to Patients	\$4,454,092	4,749,445	5,337,784	6,303,817
Other Operating Income	<u>47,768</u>	<u>45,115</u>	<u>44,891</u>	<u>46,046</u>
Revenue from Services to Patients	4,501,860	4,794,560	5,482,675	6,349,863
Deductions from Revenue	<u>535,746</u>	<u>548,525</u>	<u>896,937</u>	<u>857,337</u>
Net Operating Revenue	3,966,114	4,246,035	4,485,738	5,492,526
Operating Expenses	<u>3,689,721</u>	<u>3,902,998</u>	<u>4,395,208</u>	<u>5,215,707</u>
Net Operating Income	276,393	343,037	90,530	276,819
Other Income and Expense	<u>(55,616)</u>	<u>(78,230)</u>	<u>(74,793)</u>	<u>(79,610)</u>
Income Before Income Taxes	220,778	264,807	15,737	197,209
Income Taxes	<u>12,769</u>	<u>124,833</u>	<u>5,349</u>	<u>74,795</u>
Net Income	<u>\$ 208,009</u>	<u>139,974</u>	<u>10,388</u>	<u>122,414</u>

Deductions from revenue (contractual allowance, non-contractual patients, employees and professional courtesy and uncollectible accounts) totalled \$2,838,545 during the forty-eight months from July 1, 1971 through June 30, 1975 and increased from \$535,746 or 11.9 percent of revenue from services to patients in fiscal year 1972 to \$857,337 or 13.5 percent of revenue from services to patients in fiscal year 1975.

JMHC's 1971 US Corporation Income Tax Return Form 1120 for the fiscal year ended June 30, 1972 reported pre-tax earnings of \$232,157 (taxable income of \$219,388 plus state income taxes of \$12,769).

During 1972 and 1973 JMHC experienced inconsistent physician support, disagreement between physician board members, and cash flow problems.

During 1974 and 1975 JMHC experienced inconsistent physician support, increased disagreement between physician board members, and cash flow problems and was in default on certain debts.

JMHC's Balance Sheet as of June 30, 1973 is summarized as follows:

<u>Assets</u>		<u>Liabilities and Capital</u>	
Cash	\$ 97,344	Accounts Payable	\$ 332,671
Accounts Receivable (Net)	1,154,964	Accrued Expenses	106,190
Other Receivables	26,981	Provision for Contractual Adjustments	130,189
Inventories	23,413	Notes Payable	604,516
Property, Plant and Equipment (Net)	987,458	Contracts Payable	124,124
Goodwill (Net)	364,048	Income Taxes Payable	112,033
Other Assets	<u>40,424</u>	Bonds Payable	299,500
		Advance Deposits and Escrow	<u>104,143</u>
		Total Liabilities	\$1,813,366
		Capital	<u>881,266</u>
Total Assets	<u>\$2,694,632</u>	Total Liabilities and Capital	<u>\$2,694,632</u>

JMHC's Balance Sheet as of June 30, 1975 is summarized as follows:

<u>Assets</u>		<u>Liabilities and Capital</u>	
Cash	\$ 24,002	Accounts Payable	\$ 447,223
Accounts Receivable (Net)	953,069	Accrued Expenses	84,949
Other Receivables	27,528	Notes Payable	119,755
Inventories	28,146	Income Taxes Payable	68,795
Property, Plant and Equipment (Net)	1,227,947	Mortgage Payable	508,239
Goodwill (Net)	341,295	Bond Payable	647,770
Other Assets	<u>102,240</u>	Advance Deposits and Escrow	<u>151,466</u>
		Total Liabilities	\$2,028,197
		Capital	<u>676,030</u>
Total Assets	<u>\$2,704,227</u>	Total Liabilities and Capital	<u>\$2,704,227</u>

Property, plant and equipment (net) includes fixed assets owned by JMHC acquired directly or acquired from JMHI and JMHA (including the Hospital building, all land and all equipment used by the Hospital). Goodwill in the amount of \$386,804 as of June 30, 1971, was acquired in the purchase of JMHA (\$364,048 as of June 30, 1973 and \$341,295 as of June 30, 1975, after amortization.) JMHC was unable to maintain working capital (current assets minus current liabilities) equal to two months of operating expenses.

JMHC's Statements of Retained Earnings (Deficit) for the years ended June 30, 1972, 1973, 1974 and 1975 are summarized as follows:

Retained Deficit July 1, 1971	\$ (412,620)
Net Income Fiscal Year 1972	<u>208,009</u>
Retained Deficit June 30, 1972	(204,611)
Net Income Fiscal Year 1973	<u>139,974</u>
Retained Deficit June 30, 1973	(64,637)
Net Income Fiscal Year 1974	<u>10,388</u>
Retained Deficit June 30, 1974	(54,249)
Net Income Fiscal Year 1975	<u>122,414</u>
Redemption of Shares	<u>(119,992)</u>
Retained Deficit June 30, 1975	<u>\$ (51,827)</u>

(Retained deficit was reported within Capital on JMHC's Balance Sheets.)

From inception through June 30, 1973, JMHC did not generate cumulative net income but

generated a cumulative deficit (annual net losses exceeded annual net income) and reported negative retained earnings of \$64,637 at June 30, 1973. From inception through June 30, 1973, JMHC did not make any distributions to members of the Board of Directors or to shareholders.

Through June 30, 1975 JMHC reported a retained deficit, or negative retained earnings, of \$51,827, however, before redemption of shares, June 30, 1975 retained earnings was a positive \$68,154. From inception through June 30, 1975, JMHC did not make any distributions to members of the Board of Directors or to shareholders.

Debt Capacity

JMHC's surplus or deficit available for debt service, before working capital requirements or capital expenditures, is estimated as follows:

	Years Ended October 31.			
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Net Income	\$208,009	139,974	10,388	122,414
Depreciation and Amortization	78,346	80,914	83,771	96,224
Interest Expense	<u>93,872</u>	<u>76,560</u>	<u>76,423</u>	<u>71,404</u>
Available for Debt Service	<u>380,227</u>	<u>297,448</u>	<u>170,582</u>	<u>290,042</u>
Interest Expense	78,346	76,560	76,423	71,404
Curtailment of Mortgage and Notes Payable	99,151	68,113	67,350	128,927
Curtailment of Contracts Payable	<u>24,433</u>	<u>34,639</u>	<u>34,639</u>	<u>36,359</u>
Debt Service	<u>201,930</u>	<u>179,312</u>	<u>178,412</u>	<u>236,690</u>
Surplus (Deficit)	<u>\$178,297</u>	<u>118,136</u>	<u>(7,830)</u>	<u>53,352</u>
Debt Service Coverage	<u>1.883X</u>	<u>1.659X</u>	<u>.956X</u>	<u>1.225X</u>

JMHC did not generate amounts from operations during the years ended June 30, 1972, 1973, 1974 and 1975 to support debt service (payment of principal and interest) on substantial amounts of additional

debt. JMHC reported property, plant and equipment, net of accumulated depreciation of \$987,458 and \$1,227,947 as of June 30, 1973 and 1975, respectively. The Hospital building and land was encumbered as security against outstanding debts and, therefore, JMHC did not have substantial fixed assets to pledge as collateral against loans.

JMHC did not have the financial capacity to take on additional debt to fund substantial capital expenditures, including equipment purchases or construction.

Acquisition

On July 1, 1975 JMHC entered an agreement with Jefferson Memorial Hospital Joint Venture (JMHJV) whereby all of the land and buildings owned by JMHC would be acquired by JMHJV for the sum of \$240,000 and the assumption of the existing mortgage payable in the amount of \$508,239. JMHC had remaining total assets of \$1,374,985 (reported total assets of \$2,704,227; less the net book value of property, plant and equipment of \$1,227,947; plus cash of \$240,000; and less net goodwill acquired in the purchase of property, plant and equipment from JMHA of \$341,295) and total liabilities of \$1,519,958 (reported total liabilities of \$2,028,197 less \$508,239 of assumed mortgage payable), indicating that all value of JMHC's assets would be to the benefit of JMHC's creditors with no remaining equity.

VALUATION

Fair market value is understood to be the price at which property would change hands between a willing buyer and a willing seller when the former is not under compulsion to buy and the latter is not under compulsion to sell, both parties having reasonable knowledge of the relevant facts.

In estimating fair market value of Jefferson Memorial Hospital, Inc. and equity in Jefferson Memorial Hospital Corporation, the following have been considered:

- The nature and the history of JMHI and JMHC;
- The economic outlook in general and the condition and outlook of the general acute hospital industry;
- The book value (stockholders' equity) and the financial condition of JMHI and JMHC;
- The historical and prospective earning capacity of JMHI and JMHC;
- The dividend-paying capacity of JMHI and JMHC;
- Goodwill or other intangible value;
- Sales of stock and the size of the block of stock to be valued; and
- The market price of corporations engaged in the same or similar line of business.

Estimations of fair market value were based on methods summarized as follows:

- Cost Approach, Net Asset Value -

Valuation by net asset value (deficit or capital) is estimated under the assumption that the measure of value of the company would result from the company's existing assets.

- Market Approach, Analysis of Comparable Transactions -

Valuation by analysis of comparable transactions is estimated by identifying certain comparable companies for which information is publicly available, analyzing prices paid in recent arms-length transactions for equity in comparable businesses or in the instant business; and

- Income Approach, Capitalization and Discounted Cash Flow -

Valuation by capitalization of a representative measure of economic benefit for some period may provide a starting point for valuation. Capitalization rates may be applied to historical, current, normalized or prospective measures of economic

benefit. The capitalization rate reflects the expected returns sought by investors.

Valuation by discounted cash flow incorporates the concepts of present value analysis and is generally calculated by taking the sum of the present value of prospective cash flows and residual value. The discount rate used represents consideration of risk-free rate of return and risk premium to adjust for perceived risk of investment in the company and expected returns sought by investors. Valuation by discounted cash flow is based on the assumption of continuation of business as a going concern.

Valuation of JMHI As Of June 30, 1971

As of June 30, 1971 JMHI owned the Hospital operations, certain land, and certain equipment used by the Hospital. From inception through June 30, 1971, JMHI generated a cumulative deficit and experienced cash flow problems.

Net Asset Value

Valuation by net asset value (deficit) is estimated under the assumption that the measure of value of a company would result from the company's existing assets. JMHI did not own the Hospital building and did not own all of the land or all of the equipment used by the Hospital. JMHI financial statements reported a deficit of \$392,568 as of June 30, 1971, indicating that all value of JMHI's assets would be to the benefit of JMHI's creditors with no remaining equity value.

Analysis of Comparable Transactions

Valuation by analysis of comparable transactions requires identification of comparable companies for which information regarding the value of the companies or equity interests in the companies and regarding the financial position and operations of the companies is publicly available.

Corporations owning and operating general acute hospitals and other health care related

businesses were identified and, although not comparable for purposes of direct valuation, data regarding purchases of individual general acute hospitals was analyzed.

Publicly-held hospital corporations reported acquisitions of hospitals during 1971. Publicly-held hospital corporations generally sought acquisition of hospitals with demonstrated potential for expansion, with excess property in expanding areas, and with implied profit enhancement.

Jefferson Memorial Hospital had expanded from 96 to 120 beds in 1968 and was operating at approximately 84.0 percent occupancy in 1971. (The highest percent occupancy of any of the six general acute hospitals in the primary service area, except for Arlington Hospital.) JMHI had no plans for expansion and did not generate amounts from operations through June 30, 1971 to finance expansion or to support debt service on additional debt to finance expansion. JMHI did not own excess property and the population in the Hospital's primary service area decreased 10.3 percent from 1970 to 1980. JMHI generated a cumulative deficit through June 30, 1971 and generated income before income taxes and net income of \$172,196 during the year ended October 31, 1970, or 4.6 percent of revenue from services to patients, and generated income before income taxes and net income of \$51,565 during the eight months ended June 30, 1971 (\$77,348 annualized), or 1.8 percent of revenue from services to patients.

Analysis of purchases of individual general acute hospitals indicates that as of June 30, 1971 JMHI was not an acquisition candidate and was not comparable to the acquired hospitals.

JMHC reported the value of \$1,392,818 for the 245,000 shares of JMHC related to the June 30, 1971 transactions with JMHA and with JMHI. This indicates a value of 5,000 shares, before discounts related to the position as a minority shareholder and related to liquidity, of \$28,425 ($\$1,392,818 / 245,000 \times 5,000$).

Capitalization

Valuation by capitalization of a representative measure of economic benefit for some period may provide a starting point for valuation. Capitalization rates may be applied to historical, current, normalized or prospective measures of economic benefit. The capitalization rate reflects the expected returns sought by investors.

From inception through June 30, 1971, JMHI did not generate cumulative net income but generated a cumulative deficit (annual net losses exceeded annual net income). JMHI reported net income of \$172,192 for the year ended October 31, 1970 and \$51,565 for the eight months ended June 30, 1971. However, net income was consumed by payment of notes and bonds payable, capital expenditures and refunds of advance deposits. Prospective economic benefits were estimated based on prospective cash flows which indicated no economic benefit.

The capitalization rate represents consideration of risk-free rate of return and risk premium to adjust for perceived risk of investment in JMHI and expected returns sought by investors.

Capitalization of various measures of economic benefit indicated no acquisition value for JMHI as of June 30, 1971.

Discounted Cash Flow

Valuation by discounted cash flow incorporates the concepts of present value analysis and is generally calculated by taking the sum of the present value of prospective cash flows. The discount rate used represents consideration of risk-free rate of return and risk premiums to adjust for perceived risk of investment in the specific company.

Prospective cash flows (prospective revenue from services to patients, less prospective deductions from revenue, less prospective operating expenses, less prospective other income and

expense, plus prospective depreciation expense and less prospective capital expenditures) were estimated under various scenarios. Prospective capital expenditures were estimated to exceed depreciation expense, due to ongoing renovations and remodelings and due to the requirements to acquire new medical equipment. Consideration was given to the historical operations of the Hospital, the Hospital's medical and administrative staff, population in the Hospital's service area, competitive hospitals in the Hospital's service area, changes in consumption expenditures for medical services, changes in the consumer price index for medical care services and other factors. Prospective cash flows and residual values were discounted to present value at discount rates based on then current rates on municipal bonds and on equity investments.

The various scenarios indicated no acquisition value for JMHI as of June 30, 1971.

Conclusion

As of June 30, 1971, JMHI would have had no acquisition value. After discounts related to the position as a minority shareholder and related to liquidity, 5,000 shares of JMHC stock would have had no acquisition value.

A plan and agreement of reorganization for merger whereby all of the net assets of JMHI as of June 30, 1971 would be exchanged for 5,000 shares of stock of JMHC was reasonable.

Valuation of JMHI and JMHC as of April 18, 1973 (June 30, 1973)

The Hospital's admissions increased .5 percent from 5,065 in 1971 to 5,092 in 1973, while admissions in the primary service area increased 3.8 percent (from 44,562 to 46,258) and in the secondary service area increased 31.8 percent (from 22,956 to 30,253). Between 1971 and 1973

competitive hospitals added 11 beds in the primary service area and an additional 141 beds in the secondary service area. JMHC's net income decreased and income before taxes increased in 1973 and remained at levels inadequate to fund operations; debt service; ongoing renovations and remodelings; equipment acquisitions and expansion. JMHC experienced cash flow problems and was in default on certain debts. JMHC experienced inconsistent physician support and disagreement between physicians.

Net Asset Value

Valuation by net asset value (capital) is estimated under the assumption that the measure of value of a company would result from the company's existing assets. JMHC owned the Hospital operations, some land and some equipment which had been acquired from JMHI and the Hospital building, land and equipment which had been acquired from JMHA. JMHC financial statements reported capital of \$881,266 as of June 30, 1973, indicating a value, before costs and expenses of liquidation, of approximately \$880,000. This indicates a value of 5,000 shares, before costs and expenses of liquidation and without discounts related to position as a minority shareholder of \$14,447 ($\$881,266 / 305,000$ outstanding shares x 5,000 shares).

Realization of approximately \$880,000 for all of the shares of JMHC, would require sale of JMHC's property, plant and equipment and incurrence of commissions sales costs and closing costs. Even by early 1973, the Hospital building was obsolete as a or as the basis for a successful general acute hospital. (The Hospital's location and configuration were dated.) There was no market for minority interests in closely-held hospital corporations and the discounts for lack of control and liquidity would consume much of the value of 5,000 shares of stock in JMHC as of June 30, 1973.

Analysis of Comparable Transactions

Valuation by analysis of comparable transactions requires identification of comparable companies for which information regarding the value of the companies or equity interests in the companies and regarding the financial position and operations of the companies is publicly available.

Corporations owning and operating general acute hospitals and other health care related businesses were identified and, although not comparable for purposes of direct valuation, data regarding purchases of individual general acute hospitals was analyzed. Publicly-held hospital corporations reported acquisitions of hospitals during 1973. Publicly-held hospital corporations generally sought acquisition of hospitals with demonstrated potential for expansion, with excess property in expanding areas, and with implied profit enhancement.

Jefferson Memorial Hospital operated at approximately 79.0 percent occupancy in 1973. Percent occupancy declined from approximately 84.0 percent in 1971. JMHI had no plans for expansion and had not applied for or received any Certificate of Public Need. JMHI did not generate amounts from operations through June 30, 1973 to finance expansion or to support debt service on substantial amounts of additional debt to finance expansion. JMHC did own property large enough for construction of some additional facilities but the configuration of the existing hospital building and the limited size of the site constrained the type and scale of construction. The population in the Hospital's primary service area decreased 10.3 percent from 1970 to 1980. JMHC reported a cumulative deficit through June 30, 1973 and generated net income of \$208,009 during the year ending June 30, 1972, or 4.6 percent of revenue from services to patients, and generated net income of \$139,974 during the year ended June 30, 1973, or 2.9 percent of revenue from services to patients.

Analysis of purchases of individual general acute hospitals indicates that as of June 30, 1973 JMHC was not an acquisition candidate and was not comparable to the acquired hospitals.

JMHC reported sale of 60,000 shares of stock for \$221,260 during the year ended June 30, 1973. This transaction indicates a value of 5,000 shares, before discount related to liquidity, of \$18,438 ($\$221,260 / 60,000 \times 5,000$).

Capitalization

Valuation by capitalization of a representative measure of economic benefit for some period may provide a starting point for valuation. Capitalization rates may be applied to historical, current, normalized or prospective measures of economic benefit. The capitalization rate reflects the expected returns sought by investors.

From inception through June 30, 1973, JMHI did not generate cumulative net income but generated a cumulative deficit (annual net losses exceeded annual net income). JMHI reported net income of \$208,009 for the year ended June 30, 1972 and \$139,974 for the year ended June 30, 1973. However, net income was largely consumed by payment of notes, bonds and contracts payable; capital expenditures and refunds of advance deposits. Net income would have been wholly consumed by additional expenses and costs associated with strong administrative and financial management, funding the bond sinking fund, and a complete program of capital expenditures. Prospective economic benefits were estimated based on prospective cash flows which indicated no economic benefit.

The capitalization rate represents consideration of risk-free rate of return and risk premium to adjust for perceived risk of investment in JMHI and expected returns sought by investors.

Capitalization of various measures of economic benefit indicated no acquisition value for JMHI as of June 30, 1973.

Discounted Cash Flow

Valuation by discounted cash flow incorporates the concepts of present value analysis and is generally calculated by taking the sum of the present value of prospective cash flows. The discount rate used represents consideration of risk-free rate of return and risk premiums to adjust for perceived risk of investment in the specific company.

Prospective cash flows (prospective revenue from services to patients, less prospective deductions from revenue, less prospective operating expenses, less prospective other income and expense, plus prospective depreciation expense and less prospective capital expenditures) were estimated under various scenarios. Prospective capital expenditures were estimated to exceed depreciation and amortization expenses in estimating prospective cash flows, due to ongoing renovations and remodelings and due to the requirements to acquire new medical equipment. Consideration was given to the historical operations of the Hospital, the Hospital's medical and administrative staff, population in the Hospital's service area, competitive hospitals in the Hospital's service area, changes in consumption expenditures for medical services, changes in the consumer price index for medical care services and other factors. Prospective cash flows and residual values were discounted to present value at discount rates based on then current interest rates on municipal bonds and on equity investments.

The various scenarios indicated no acquisition value as of June 30, 1973.

Conclusion

The fair market value of all of the shares of JMHC as of June 30, 1973 is estimated to be approximately \$880,000 less costs and expenses of liquidation. (This value arises from the building which had been owned by JMHA prior to June 30, 1971 and from the land which had been owned by others and a portion by JMHI prior to June 30, 1971.) After discounts for illiquidity and position as a minority shareholder, 5,000 shares of JMHC stock as of June 30, 1973 would have had no acquisition value.

Valuation of JMHI and JMHC as of January 29, 1975 (June 30, 1975)

The Hospital's admissions decreased 4.9 percent from 5,065 in 1971 to 4,819 in 1975, while admissions in the primary service area increased 2.7 percent (from 44,562 to 45,756) and in the secondary service area increased 45.0 percent (from 22,956 to 33,292). Between 1971 and 1975 competitive hospitals added 85 beds in the primary service area and an additional 173 beds in the secondary service area. JMHC's net income before taxes and net income generally declined after 1992 and remained at levels inadequate to fund operations; debt service; ongoing renovations and remodelings; equipment acquisitions and expansion. JMHC experienced cash flow problems and was in default on certain debts. JMHC experienced inconsistent physician support and increased disagreement between physicians.

Net Asset Value

Valuation by net asset value (capital) is estimated under the assumption that the measure of value of a company would result from the company's existing assets. JMHC owned the Hospital operations, some land and some equipment which had been acquired from JMHI and the Hospital building, all land and equipment which had been acquired from JMHA. JMHC financial statements

reported capital of \$676,030 as of June 30, 1975, indicating a value before costs and expenses of liquidation, of approximately \$680,000. This indicates a value of 5,000 shares, before cost and expenses of liquidation and without discounts related to position as a minority shareholder of \$13,797 ($\$676,030 / 245,000 \text{ outstanding shares} \times 5,000 \text{ shares}$).

Realization of approximately \$680,000 for all the shares of JMHC would require sale of JMHC's property, plant and equipment and incurrance of commissions, sales costs, and closing costs. By 1975, the Hospital building was obsolete as a or as the basis for a successful general acute hospital. (The Hospital's location and configuration were dated.) There was no market for minority interests in closely-held hospital corporations and the discounts for lack of control and liquidity would consume much of the value of 5,000 shares of stock in JMHC as of June 30, 1975.

Analysis of Comparable Transactions

Valuation by analysis of comparable transactions requires identification of comparable companies for which information regarding the value of the companies or equity interests in the companies and regarding the financial position and operations of the companies is publicly available.

Corporations owning and operating general acute hospitals and other health care related businesses were identified and, although not comparable for purposes of direct valuation, data regarding purchases of individual general acute hospitals was analyzed.

Publicly-held hospital corporations reported acquisitions of hospitals during 1975. Publicly-held hospital corporations generally sought acquisition of hospitals with demonstrated potential for expansion, with excess property in expanding areas, and with implied profit enhancement.

Jefferson Memorial Hospital operated at approximately 78.2 percent occupancy in 1975. Percent occupancy declined from approximately 84.0 percent in 1971 and approximately 79.0

percent in 1973. JMHC had no plans for expansion and had not applied for or received any Certificate of Public Need. JMHC did not generate amounts from operations through June 30, 1975 to finance expansion or to support debt service on substantial amounts of additional debt to finance expansion. JMHC did not own property large enough for construction of some additional facilities but the configuration of the existing hospital building and the limited size of the site constrained the type and scale of construction. The population in the Hospital's primary service area decreased 10.3 percent from 1970 to 1980. JMHC reported a cumulative deficit through June 30, 1975 and generated net income of \$10,388 during the year ending June 30, 1974, or .2 percent of revenue from services to patients, and generated net income of \$122,414 during the year ended June 30, 1975, or 1.9 percent of revenue from services to patients.

Analysis of purchases of individual general acute hospitals indicates that as of June 30, 1975 JMHC was not an acquisition candidate and was not comparable to the acquired hospitals.

JMHC reported redemption of 60,000 shares of stock for \$119,992 during the year ended June 30, 1975. This transaction indicates a value of 5,000 shares, before discount related to liquidity, of \$9,999 ($\$119,992 / 60,000 \times 5,000$).

Capitalization

Valuation by capitalization of a representative measure of economic benefit for some period may provide a starting point for valuation. Capitalization rates may be applied to historical, current, normalized or prospective measures of economic benefit. The capitalization rate reflects the expected returns sought by investors.

JMHI reported net income of \$10,388 for the year ended June 30, 1974 and \$122,414 for the year ended June 30, 1975. However net income was consumed by payment of notes and bonds

payable, capital expenditures and refunds of advance deposits. Prospective economic benefits were estimated based on prospective cash flows which indicated no economic benefit.

The capitalization rate represents consideration of risk-free rate of return and risk premium to adjust for perceived risk of investment in JMHI and expected returns sought by investors.

Capitalization of various measures of economic benefit indicated no acquisition value for JMHI as of June 30, 1975.

Discounted Cash Flow

Valuation by discounted cash flow incorporates the concepts of present value analysis and is generally calculated by taking the sum of the present value of prospective cash flows. The discount rate used represents consideration of risk-free rate of return and risk premiums to adjust for perceived risk of investment in the specific company.

Prospective cash flows (prospective revenue from services to patients, less prospective deductions from revenue, less prospective operating expenses, less prospective other income and expense, plus prospective depreciation and less prospective capital expenditure) were estimated under various scenarios. Prospective capital expenditures were estimated to exceed depreciation and amortization expenses in estimating prospective cash flows, due to ongoing renovations and remodelings and due to the requirements to acquire new medical equipment. Consideration was given to the historical operations of the Hospital, the Hospital's medical and administrative staff, population in the Hospital's service area, competitive hospitals in the Hospital's service area, changes in consumption expenditures for medical services, changes in the consumer price index for medical care services and other factors. Prospective cash flows and residual values were discounted to present value at discount rates based on then current bond yields and interest rates on municipal

bonds and on equity investments.

The various scenarios indicated no acquisition value as of June 30, 1975.

Conclusion

The fair market value of all of the shares of JMHC as of June 30, 1975 is estimated to be approximately \$680,000, less costs and expenses of liquidation. (This value arises from the building which had been owned by JMHA prior to June 30, 1971 and from the land which had been owned by others and a portion by JMHI prior to June 30, 1971.) After discounts for illiquidity and position as a minority shareholder, 5,000 shares of JMHC stock as of June 30, 1975 would have had no acquisition value.

CONCLUSIONS

As of June 30, 1971, JMHI had no acquisition value. A plan and agreement of reorganization for merger with JMHC whereby all of the net assets of JMHI as of June 30, 1971 would be exchanged for 5,000 shares of stock of JMHC was reasonable.

After discounts for illiquidity and position as a minority shareholder, 5,000 shares of JMHC stock would have had no acquisition value as of April 18, 1973 or as of January 29, 1975.

The value of JMHC as of April 18, 1973 and as of January 29, 1975 arose from the building which had been owned by JMHA prior to June 30, 1971 and from the land which had been owned by others and a portion by JMHI prior to June 30, 1971.

JMHC established and maintained a hospital and adjuncts convenient and necessary for its administration and received funds for the public welfare. As of June 30, 1975, no part of JMHI's net income inured to the private benefit of the physician members of JMHI, the shareholders of JMHC or the partners of KSJV or JMHA. Upon dissolution (whether June 30, 1971, April 18, 1973, or January 29, 1975), net assets of JMHI were not distributed to any of the members of JMHI.

**DOCUMENTS AND INFORMATION
RELIED ON**

The analysis is based on my educational and professional background and on reading and analysis of documents and information, including the following:

- . Complainants' Second Supplemental Response To Respondents' First Set of Interrogatories To The Attorney General;
- . Amended Bill of Complaint;
- . Respondent Jefferson Memorial Hospital Joint Venture's Supplemental Responses To Complaint's Second Set of Interrogatories;
- . Respondents Laszlo N. Tauber's Supplemental Responses to Complainant's Second Set of Interrogatories;
- . Respondent Leslie Gondor's Supplemental Responses To Complainant's Second Set of Interrogatories;
- . Jefferson Memorial Hospital Incorporated
Management Report, September 30, 1965

Financial Statements:

- Ten months ended October 31, 1965;
- Monthly: January 31, 1966 - August 31, 1967;
October 31, 1967 and December 31, 1967; and
January 31, 1968 - October 31, 1968

Federal Income Tax Returns:

- October 31, 1968;
- October 31, 1969;
- October 31, 1970;

Audit Reports:

- October 31, 1967;
- October 31, 1968;
- October 31, 1969;
- October 31, 1970; and
- Eight Months Ended June 30, 1971.

- . Jefferson Memorial Hospital Corporation
Federal Income Tax Returns:
  - June 30, 1972;
  - June 30, 1973;
  - June 30, 1974;
  - June 30, 1975;
  - June 30, 1976;
  - June 30, 1977;
  - June 30, 1978;
- . Audit Reports:
  - June 30, 1972;
  - June 30, 1973;
  - June 30, 1974;
  - June 30, 1975;
- . Jefferson Memorial Hospital, Inc. Articles of Amendment, August 25, 1964;
- . November 20, 1990 Letter to the Jefferson Memorial Hospital, Inc. Board of Directors;
- . December 11, 1970 Letter to Mr. Ernest Coene Reeves, Esq.;
- . Certificate of Incorporation at Jefferson Memorial Hospital Corporation;
- . Plan and Agreement at Reorganization for Merger of Jefferson Memorial Hospital, Inc. with and into Jefferson Memorial Hospital Corporation, September 26, 1972;
- . Minutes of Jefferson Memorial Hospital Corporation Stockholders Meetings October 19, 1971 and November 27, 1974;
- . April 9, 1973 Letter to Stockholders;
- . Minutes of Jefferson Memorial Hospital Corporation Finance Committee Meetings September 20, 1973 and October 9, 1973;
- . Minutes of Jefferson Memorial Hospital Corporation Board of Directors Meetings November 14, 1973 and January 29, 1975;
- . Memorandum Agreement of Sale and Lease Back, November 24, 1974;
- . Jefferson Memorial Hospital, Inc. Minutes of Annual Meeting of the Membership. January 27, 1975;
- . Agreement of Purchase from Laszlo N. Tauber, M.D.;

- . March 13, 1975 Letter from Laszlo N. Tauber, M.D.;
- . April 7, 1976 Letter from Irwin S. Freedman, M.D.;
- . April 19, 1976 Letter to Leslie L. Peters, M.D.;
- . April 4, 1969 Letter from IRS;
- . January 1972 Letter from IRS;
- . General Health Services Inc. Form 10-K, August 31, 1971, 1973 Annual Report and 1975 Annual Report;
- . Huntington Health Services, Inc. 1971, 1973 and 1975 Annual Report;
- . National Medical Enterprises, Inc. 1971, 1973 and 1974 Annual Report;
- . R.H. Medical Services, Inc. Form 10-K, September 30, 1971; 1973 and 1975 Annual Report;
- . Chanco Medical Industries 1971 Annual Report
- . Hospital Affiliates, Inc. 1972 Annual Report; October 23, 1969 Prospectus and 1973 Annual Report;
- . Hospital Corporation of America 1971, 1973 and 1975 Annual Report;
- . American Medical Enterprises, Inc. 1971 Annual Report; and Notice of Annual Meeting of Shareholders, January 25, 1972;
- . Pacific Coast Medical Enterprises Form S-1, December 30, 1969; 1971, 1973 and 1975 Annual Report;
- . American Medicorp, Inc. 1971, 1973 and 1975 Annual Report;
- . Charter Medical Corporation Prospectus, January 14, 1971; and 1973, 1975 Annual Report;
- . American Medical International, Inc. 1973 and 1975 Annual Report;
- . Journal of The American Hospital Association Guide Issue, August 1971;
- . American Hospital Association Guide to the Health Care Field, 1972, 1973 and 1975.

- . 1980 Census of Population - U.S. Department of Commerce;
- . Department of Commerce, Bureau of Economic Analysis: Personal Consumption Expenditures, Department of Labor, Bureau of Labor Statistics: Consumer Price Indexes for Commodities and Services;
- . Internal Revenue Code of 1954; and
- . Periodicals.

A. H. Cobb

Arthur H. Cobb
June 18, 1996

ARTHUR H. COBB
4010 IDS Center
Minneapolis, Minnesota 55402

Arthur H. Cobb is president of Cobb & Associates, Ltd., a firm practicing in litigation support and capital finance. Mr. Cobb has provided services to general acute health care, nursing care, ambulatory care, and medical practice clients. Mr. Cobb has provided services to various industries regarding valuation of equity interests. He has experience in planning, market assessment, economic feasibility, private and public financing, joint ventures, and mergers and acquisitions.

Mr. Cobb has supervised or prepared financial and planning studies for medical providers, medical service, industrial, commercial, and residential projects and has assisted rating agencies. A chronological list of certain of Mr. Cobb's health care and related engagements follows:

Baylor Health Care System	Dallas, Texas
Village of River Forest	River Forest, Illinois
Wadena Medical Center	Wadena, Minnesota
Asbury Methodist Homes, Inc.	Gaithersburg, Maryland
Republic Health Corporation	Dallas, Texas
Havre Medical Center	Havre, Montana
Brentwood Hospital	Cleveland, Ohio
Bethesda Lutheran Medical Center	Saint Paul, Minnesota
Group Health Cooperative of Puget Sound	Seattle, Washington
Iowa Methodist Medical Center	Des Moines, Iowa
Addison Gilbert Hospital	Gloucester, Massachusetts
Naeve Health Care Association	Albert Lea, Minnesota
The Ebenezer Society	Minneapolis, Minnesota
Northern Montana Hospital	Havre, Montana
Fairview Community Hospitals	Minneapolis, Minnesota
Iowa Lutheran Hospital	Des Moines, Iowa
Baptist Medical Center	Kansas City, Missouri
Eliza Jennings Homes	Cleveland, Ohio
Billings Deaconess Hospital	Billings, Montana
Saint Catherines Hospital	Kenosha, Wisconsin
Sisters of the Sorrowful Mother	Milwaukee, Wisconsin
St. Lukes Hospital	Kansas City, Missouri
St. Alexius Medical Center	Bismarck, North Dakota
Allegheny General Hospital	Pittsburgh, Pennsylvania
Nemaha Valley Hospital	Seneca, Kansas
Lutheran Community Hospital	Norfolk, Nebraska
Health Resources, Inc.	Saint Paul, Minnesota
Alexian Brothers of America	Elk Grove Village, Illinois
Catholic Services for the Elderly	Saint Paul, Minnesota
Abbott-Northwestern Hospital	Minneapolis, Minnesota
Fairview Community Hospitals	Minneapolis, Minnesota

Metropolitan Medical Center
Beacon Hill of America
St. Alexius Hospital
Memorial Hospital
Indianhead Memorial Hospital
The Lutheran Home for the Aged
Baptist Hospital Fund
Trinity Medical Center
Crestview Lutheran Home
Rice Memorial Hospital
Methodist Hospital
Midway Hospital
Minnesota Hospital Rate Review System
Attorney General State of Minnesota
Saint Marys Hospital
Immanuel-St. Joseph's Hospital

Minneapolis, Minnesota
Minneapolis, Minnesota
Bismarck, North Dakota
Topeka, Kansas
Shell Lake, Wisconsin
Vinton, Iowa
Saint Paul, Minnesota
Minot, North Dakota
Columbia Heights, Minnesota
Willmar, Minnesota
Saint Louis Park, Minnesota
Saint Paul, Minnesota
Minneapolis, Minnesota
Saint Paul, Minnesota
Rochester, Minnesota
Mankato, Minnesota

Mr. Cobb's additional health care experience includes assisting evaluation and valuation of acquisitions, evaluation of project financing, supervision of corporate reorganizations, assistance regarding third party reimbursement and rate setting, assistance with preparation and presentation of Certificate of Need applications, and expert testimony.

Mr. Cobb has experience in providing advisory services related to valuation of equity interests, mergers, acquisitions, leveraged buyouts, employee stock ownership plans (ESOP) and litigation. A list of certain of Mr. Cobb's business combination and valuation engagements follows:

Merger and Acquisition

Abbott Northwestern Hospital acquiring Bio-Medical Research Associates, Inc.
Aderans, Inc. acquiring International Hairgoods, Inc.
Advance Circuits, Inc. acquiring Multaplex, Inc.
Apogee Enterprises, Inc. acquiring interest in Marcon Coating, Inc. and Viratec Thin Films, Inc.
Minority shares acquired by Advance Packaging Corporation
Alleghany Corporation acquiring shares in The Saint Paul Companies, Inc.
All Sun, Inc. acquiring Agri-Corn International, Inc.
Minority shares acquired by American Sharecom, Inc.
American Test Center acquiring minority shares
Anheuser-Busch Wholesale Development Corporation acquiring Wayne Densch, Inc.
Shares acquired by Asian Foods, Inc.
Asbury Methodist Homes, Inc. merging with Peninsula Methodist Homes, Inc.
Baldwin Supply Company, Inc. acquiring shares
Beacon Hill of America, Inc. acquiring Continental Care Corporation

Minority shares acquired by Bernatello's Pizza, Inc.
 Minority shares acquired by Blackhills Gold Jewelry Manufacturing Company
 Bituminous Materials, Inc. acquiring shares
 Cardiorythm, Inc. and EP Technologies, Inc.
 Crane Creek Asphalt, Inc. acquiring shares
 Computer Video Productions, Inc. acquiring minority shares
 Cooper Life Sciences, Inc. selling a line of business to Cooper Vision, Inc.
 Minority shares acquired by Crosstown Enterprises
 Management acquiring Dain Corporation from Inter-Regional Financial Group
 Division of Diasonics, Inc. acquired by Toshiba American Medical Systems, Inc.
 Management acquiring Dri-Steem Humidifier Company
 Dri-Steem Humidifier Company acquiring Brooklyn Tool Company
 Duber's, Inc. acquiring minority shares
 Minority shares acquired by ELA Medical, Inc.
 Fairview Community Hospitals acquiring Indianhead Memorial Hospital
 Fairview Community Hospitals merging with Iowa Lutheran Medical Center
 Minority shares acquired by Foley Belsaw Company
 Formula Corporation acquiring minority shares
 The Forum Company acquiring minority shares
 Gemunis Computer Systems acquired by National Computer Systems, Inc.
 Management acquiring Held Beef, Inc.
 Minority shares acquired by Impressions, Inc.
 Minority shares acquired by Integrated Benefits Group, Inc.
 Johnson Brothers Corporation acquiring minority shares
 Shares acquired by Kiene, Wooters & Associates, Inc.
 LTS Tours, Inc. acquired by a private investor
 Minority shares acquired by Lyle Signs, Inc.
 MCP, Inc. acquiring minority shares
 Minority shares acquired by Metropolitan Corporation and Brookdale Ford, Inc.
 Minority shares acquired by Miller Waster Mills, Inc.
 Minnesota Produce, Inc., acquired by private investors
 Monitor Sugar Growers Cooperative acquiring Monitor Sugar Company
 My Tyme, Inc. acquiring minority shares
 Nash Finch Company acquiring A.M. Lewis Company
 New England Turquoise, Inc. acquired by LCB Enterprises, Inc.
 North Star Universal, Inc. acquiring Super Cycle, Inc.
 Northwestern National Bank acquiring Farmers and Mechanics Savings Bank
 NuAire, Inc. acquiring minority shares
 NuComp Systems, Inc. acquired by NC Systems, Inc.
 Ohio Farmers Cooperative merging with Landmark, Inc.
 Orchid Zone, Ltd. acquiring shares
 Precision Software Corporation acquiring minority shares and acquired by Home
 Shopping Network
 Prospect Foundry Trust, Inc. acquiring Reo Plastics, Inc.
 Springboard Software, Inc. acquired by Spinnaker Software Corporation

Minority shares acquired by SureWay Air Express
Sanborn Manufacturing Company acquired by Coleman Powermate, Inc.
Totino's, Inc. acquired by The Pillsbury Company
Twin City Fan and Blower Company
Universal Cooperatives, Inc. acquiring Security Products Company, Inc.
Shares acquired by Upsher Smith Laboratories, Inc.
Minority shares acquiring Waldorf Corporation
Wausau Metals Corporation acquired by JGVR Investments, Inc.
Winthrop Securities Corp. acquiring commercial properties from Trammell Crow

Financial Planning, Ownership Succession and Litigated Claims

Blesi-Evans, Inc.
Buesing Trucking, Inc.
Chevron, Inc.
Circuit Board One, Inc.
Computer Controlled Machines
Consul Restaurant Corporation
Dan's Super Markets, Inc.
DeParcq, Hunegs, Stone, Koenig & Reid, P.A.
E.W. Blanch, Limited Partnership
Exeter Bancorporation, Inc.
FSI, Inc.
Farmers & Merchants National Bank
First National Bank of Hatton
George F. Kremer Co., Inc.
Health Systems Integration, Inc.
IFG Leasing Company
Iowa Methodist Medical Center
JBM, Inc.
John Peterson Motors, Inc.
Line of business of Kobey Implement, Inc.
Lund International, Inc.
Mr. D's Men Stores
Mardan Business Systems, Inc.
Midwest Carbide, Inc.
Northern Resource Conversion Company, Inc.
ORBA-Johnson Transshipment Company
PDHC, Ltd.
Pacific Enterprises, Inc.
Penne Realty, Inc.
Robert's AMOCO
Saint Paul Clothiers
Security National Bank
Simonson Lumber and Hardware, Inc.
Simonson Station Stores, Inc.

Stow and Cable Stores
Suburban Affiliates, Inc.
TCB, Inc.
Tanberk, Inc.
Tekna-Seal, Inc.
Viking Chevrolet, Inc.
Wadena Medical Center
Wally McCarthy's Oldsmobile, Inc. and related companies
Webster Insulation, Inc.
Werner Enterprises, Inc.
Weston Grain and Agri-Fuels, Inc.
World Radio Laboratories, Inc.

Mr. Cobb was a partner in Peat, Marwick, Mitchell & Co., now KPMG Peat Marwick, and was a management consultant with other public accounting and management consulting firms. Mr. Cobb was also an assistant professor of accounting at the University of Minnesota. Mr. Cobb received a Master of Arts and a Bachelor of Business Administration from the University of Iowa. He has presented seminars on financial and statistical analysis, joint ventures, financial forecasting, valuation of business, lost profits in business interruption, and due diligence in securities offerings; and has participated in panel discussions on tax exempt bonds and real estate financing. Mr. Cobb has made presentations to annual conventions of various health care industry associations and to Boards of Directors and Trustees.

Mr. Cobb is a member of the American Institute of Certified Public Accountants, the Minnesota Society of Certified Public Accountants, and was an Advanced Member of the Health Care Financial Managers Association. Mr. Cobb has served on the Health and Hospitals task force of the Minnesota Citizen League, an Ad Hoc Committee of the Minnesota Coalition on Health Care Costs, and as co-chairman of the Twin Cities Task Force for Affordable Health Care - Capital Committee. Mr. Cobb is a member of the American Arbitration Association Panel of Arbitrators and the National Association of Securities Dealers Board of Arbitrators.

Estimation of the Fair Market Value of
Jefferson Memorial Hospital, Inc.

June 18, 1996

We prepared a preliminary valuation analysis to estimate the Fair Market Value of Jefferson Memorial Hospital, Inc. ("JMHI" or the "Hospital") as of the three valuation dates of June 30, 1971, April 18, 1973, and January 31, 1975. We understand our analysis will be used in conjunction with a dispute regarding the estimation of the Fair Market Value in connection with a conversion from not-for-profit status to a for-profit entity.

We define Fair Market Value as the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts.

In estimating the Fair Market Value of the Hospital, we assumed the business to be ongoing. This premise of value is only applicable for the stated purpose of this engagement; accordingly, the results of this analysis should not be used for any other purpose.

Sources of Information and Procedures Employed

In the course of performing our limited scope valuation analysis, we used financial and other information provided to us by Baker & Hostetler or obtained from other public and non-public sources we believe to be reliable. The more significant sources of this information are identified below. Our conclusions are dependent on such information being complete and accurate in all material respects. However, we have not examined such information and accordingly, we do not express an opinion or any other form of assurance thereon. The principal sources of information used in performing our analysis include:

- Audited financial statements for Jefferson Memorial Hospital for the twelve months ended October 31, 1967 through 1970 and for the eight months ended June 30, 1971;
- Audited financial statements for Jefferson Memorial Hospital Corporation ("JMHC") for the twelve months ended June 30, 1972 through 1975;
- Financial documents of Jefferson Memorial Hospital Associates ("JMHA") for 1966 through 1971;



- Other financial documents of JMHI, JMHC, Jefferson Memorial Hospital Joint Venture, and King Street Joint Venture for various dates;
- Income tax returns for Jefferson Memorial Hospital for calendar years 1968 and 1969 and for Jefferson Memorial Hospital Corporation for calendar years 1971 through 1977;
- Financial information (stock prices, profitability, historical growth, shares outstanding, etc.) on publicly-traded companies provided by COMPUSTAT (an information service of Standard and Poor's Corporation) and other information services as of the three valuation dates for developing a required rate of return on invested capital; and
- Other publicly available information regarding hospitals and the overall health care industry as of the three valuation dates.

In general, the procedures we employed in our analysis consisted of the following:

- Conversation with Dr. Laszlo N. Tauber regarding the financial and operating condition of the Hospital as of the valuation dates;
- Review of the financial information forwarded by Baker & Hostetler and retrieved from public sources;
- Determination of an appropriate rate of return for the Hospital as of the three valuation dates as part of our overall valuation analysis;
- Estimation of a normalized cash flow for each valuation date as part of a Capitalization of Earnings Approach based on historical financial data and public sources;
- Review of the Hospital's and JMHA's financial statements as part of an Adjusted Book Value Approach; and
- Such other analyses and inquiries as we considered necessary.

Valuation Methodologies

In performing our analysis, we relied upon the results of the Income Approach and Cost Approach. We also considered the Market Approach in testing the reasonableness of our valuation results using the other two approaches.



A form of the Income Approach, the Capitalization of Earnings Approach, is a technique used to estimate Fair Market Value based on a "normalized" cash flow that the Hospital can be expected to generate in the future. This "normalized" cash flow is capitalized at a rate equal to the appropriate rate of return for companies in the hospital industry less expected growth into perpetuity.

In the context of this valuation, the Cost Approach is referred to as the Adjusted Book Value Approach. This Approach is based on the summation of the values of the individual underlying assets less the liabilities of the Hospital.

The Market Approach involves estimating the Fair Market Value of the subject hospital based on exchange prices in actual transactions and on asking prices for hospitals currently offered for sale. The process essentially involves comparison and correlation of the subject hospital with other similar hospitals. Considerations such as location, time of sale, physical characteristics, and conditions of sale are analyzed for comparable hospitals. Differences between the subject hospital and other hospitals, may result in inappropriate conclusions.

Application of the Capitalization of Earnings Approach

We estimated a "normalized" cash flow for the hospital for each of the valuation dates based on a weighted average of the results of the prior three years of operations. We adjusted these results to represent the Hospital operations prior to the acquisition of the assets (building, equipment, and goodwill) and liabilities (mortgage) of JMHA. In addition, we have included the debt and lease payments forgiven by JMHA as part of the acquisition, in our estimation of the "normalized" cash flow and liabilities.

The "normalized" cash flow was then capitalized by dividing the value by the rate of return less expected growth of 3% into perpetuity. The rate of return was calculated for each valuation date, using the average of the required rate of return to debt capital and the required return to equity capital, weighted by their respective proportions to total capital. Our calculations of return to debt and equity incorporates the market's perception of risk associated with investments in hospitals. The resulting net enterprise value is reduced by the long term liabilities on the balance sheet to estimate the Fair Market Value of the equity as of the valuation dates.

Based on the results of the Capitalization of Earnings Approach, we estimate the Fair Market Value of the equity of the Hospital to be zero as of June 30, 1971, April 18, 1973, and January 31, 1975. Refer to Exhibits I through III.



Application of the Adjusted Book Value Approach

In applying the Adjusted Book Value Approach, we relied upon the book values of the assets less the liabilities as they appear on the balance sheets of the Hospital for the fiscal years closest to the valuation dates. We did not perform a discrete valuation of each of the Hospital's tangible (i.e., accounts receivable, plant and equipment, etc.) or intangible assets. As in the Capitalization of Earnings Approach, we adjusted these results to represent the Hospital operations prior to the acquisition of JMHA and the forgiveness of debt.

Based on the results of the Adjusted Book Value Approach, we estimate the Fair Market Value of the equity of the Hospital to be zero, \$291,000, and \$166,000 as of June 30, 1971, April 18, 1973, and January 31, 1975, respectively. Refer to Exhibits I through III.

Application of the Market Approach

As part of the Market Approach we searched various public sources including SEC documents (i.e., 10Ks, 10Qs, Annual Reports, etc.), healthcare industry publications (i.e., Modern Healthcare, Hospitals, etc.), and other publications for information on comparable Hospitals and transactions. Although we were able to locate information regarding transactions that occurred, the information available as of the valuation dates did not contain sufficient financial and operating detail to estimate the value of the Hospital.

Conclusion

The best indication of value of a hospital is the income an investor would expect to receive in return for an investment and is captured in the Capitalization of Earnings Approach. The Adjusted Book Value Approach provides an indication of value, but does not reflect the ongoing value or the true liquidation value of the Hospital. Accordingly, based on our valuation analysis as outlined above, we estimate the Fair Market Value of the Hospital to approximate zero as of June 30, 1971, and range between zero and a nominal value as of April 18, 1973 and January 31, 1975.

Limiting Conditions

Our procedures did not include investigation of, and we assume no responsibility for, the titles to, or any liens against, the Hospital. Furthermore, we assume there are no hidden, inapparent, or unexpected conditions that could affect the value of the Hospital and accept no responsibility for discovering such conditions.



The partners and employees of Price Waterhouse LLP who worked on this engagement have no known or contemplated financial interest in the Hospital. Further, our compensation for this engagement is neither based nor contingent on the value we estimated.

R. Bruce Den Uyl
Partner
Price Waterhouse LLP

Date

Capitalization of Earnings Approach		
	Normalized Twelve Months Ended June 30, 1971 (1)	% of Net Operating Revenue
Revenue:		
Routine Services	\$ 1,985,348	
Special Services	1,802,021	
Total Gross Revenue	3,787,368	
Deductions and Allowances	(556,315)	
Other Operating Revenue	37,198	
Net Operating Revenue	3,268,252	
Operating Expenses (Excl. Depreciation):		
Total Salaries & Wages	1,306,795	42.4%
Administrative & General	149,925	4.6%
Dietary	167,671	5.0%
Housekeeping, Laundry	236,894	7.2%
Operation of Plant, Maintenance	58,538	1.8%
Other Supplies & Expenses	979,068	30.0%
Rent of Land & Building	111,315	3.4%
Taxes (other than Payroll & Income)	28,711	0.9%
Total Operating Expenses	3,146,736	96.3%
Operating Income	121,516	3.7%
Other Income/(Expenses):		
Rental Income	27,954	0.9%
Interest Income	10,858	0.3%
Miscellaneous Income	3,881	0.1%
Miscellaneous Expense	(12,102)	-0.4%
Other Income/(Expense)	30,590	0.9%
EBDA	152,106	4.7%
Depreciation/Amortization	29,414	0.9%
EBIT	122,692	3.8%
Income Taxes @ 40%	49,077	
After-Tax Cash Flow	73,615	2.3%
Adjustments to Cash Flow:		
Add: Depreciation & Amortization	29,414	0.9%
Less: Capital Expenditures	32,683	1.0%
Less: Change in Net Working Capital	24,209	10.0%
Adjusted Cash Flow	46,137	
Capitalization Factor @ (Assuming 3% Cash Flow Growth)	17%	
Net Enterprise Value	271,387	
Less: Liabilities	1,089,509	
Net Equity Value	(788,112)	
Rounded	\$ (798,000)	
(1) Based on a weighted average of the prior three years' results of operations.		

Adjusted Book Value Approach	
Value of Book Equity as of June 30, 1971	\$ (392,568)

Capitalization of Earnings Approach		
	Normalized Twelve Months Ended April 18, 1973 (1)	% of Net Operating Revenue
Revenue:		
Routine Services	\$ 2,204,456	
Special Services	2,359,005	
Total Gross Revenue	4,563,461	
Deductions and Allowances	(569,965)	
Other Operating Revenue	45,095	
Net Operating Revenue	4,038,590	
Operating Expenses (Excl. Depreciation):		
Total Salaries & Wages	1,643,648	40.7%
Administrative & General	171,690	4.3%
Dietary	217,186	5.4%
Housekeeping, Laundry	244,803	6.1%
Operation of Plant, Maintenance	63,688	1.6%
Other Supplies & Expenses	1,282,943	31.3%
Rent of Land & Building	119,789	3.0%
Taxes (other than Payroll & Income)	51,581	1.3%
Total Operating Expenses	3,775,540	93.5%
Operating Income	263,050	6.5%
Other Income/Expense:		
Rental Income	9,745	0.2%
Interest Income	3,288	0.1%
Miscellaneous Income	14,243	0.4%
Miscellaneous Expenses	(4,498)	-0.1%
Other Income/Expense	22,758	0.6%
EBITDA	285,808	7.1%
Depreciation/Amortization	36,347	0.9%
EBIT	249,460	6.2%
Income Taxes @ 40%	99,784	
After-Tax Cash Flow	149,676	3.7%
Adjustments to Cash Flow:		
Add: Depreciation & Amortization	36,347	0.9%
Less: Capital Expenditures	40,386	1.0%
Less: Change in Net Working Capital	28,421	10.0%
Adjusted Cash Flow	119,217	
Capitalization Factor @ (Assuming 3% Cash Flow Growth)	16%	
Net Enterprise Value	745,108	
Less: Liabilities	615,218	
Net Equity Value	(70,110)	
Rounded	\$ (70,000)	
(1) Based on a weighted average of the prior three years' results of operations.		

Adjusted Book Value Approach	
Estimated Unadjusted Book Value as of April 18, 1973	\$ 681,268
Adjustments (1):	
Plant & Equipment	(548,868)
Goodwill	(364,048)
Lease Agreement Payable	(280,000)
Mortgage Payable	603,132
Total Adjustments	(589,784)
Estimated Value of Adjusted Book Equity as of April 18, 1973	\$ 291,482
(1) Adjustments are made to account for the assets transferred and debt assumed as part of the transaction on July 1, 1971	

Capitalization of Earnings Approach		
	Normalized Twelve Months Ended January 31, 1975 (1)	% of Net Operating Revenue
Revenue:		
Routine Services	\$ 2,357,634	
Special Services	3,061,729	
Total Gross Revenue	5,419,263	
Deductions and Allowances	(778,040)	
Other Operating Revenue	45,481	
Net Operating Revenue	4,666,703	
Operating Expenses (Excl. Depreciation):		
Total Salaries & Wages	1,938,227	41.3%
Administrative & General	245,091	5.2%
Dietary	251,434	5.4%
Housekeeping, Laundry	233,735	5.0%
Operation of Plant, Maintenance	73,828	1.6%
Other Supplies & Expenses	1,572,024	33.5%
Rent of Land & Building	105,449	2.2%
Taxes (other than Payroll & Income)	61,630	1.3%
Total Operating Expenses	4,478,308	85.6%
Operating Income	207,395	4.4%
Other Income/(Expenses):		
Rental Income	8,232	0.2%
Interest Income	1,882	0.0%
Miscellaneous Income	8,367	0.2%
Miscellaneous Expense	(3,811)	-0.1%
Other Income/(Expense)	14,670	0.3%
EBITDA	222,065	4.7%
Depreciation/Amortization	42,180	0.9%
EBIT	179,885	3.8%
Income Taxes @ 40%	71,954	
After-Tax Cash Flow	107,931	2.3%
Adjustments to Cash Flow:		
Add: Depreciation & Amortization	42,180	0.9%
Less: Capital Expenditures	48,987	1.0%
Less: Change in Net Working Capital	34,710	10.0%
Adjusted Cash Flow	68,328	
Capitalization Factor @ (Assuming 3% Cash Flow Growth)	17%	
Net Enterprise Value	403,106	
Less: Liabilities	987,770	
Net Equity Value	(584,664)	
Rounded	\$ (585,000)	
(1) Based on a weighted average of the prior three years' results of operations.		

Adjusted Book Value Approach (1)	
Estimated Unadjusted Book Value as of January 31, 1975	\$ 770,711
Adjustments (2):	
Plant & Equipment	(508,917)
Goodwill	(346,035)
Lease Agreement Payable	(280,000)
Mortgage Payable	528,826
Total Adjustments	(804,327)
Estimated Value of Adjusted Book Equity as of January 31, 1975	\$ 166,444
(1) All values are based on five months of operations in fiscal year 1985 and seven months in fiscal year 1975.	
(2) Adjustments are made to account for the assets transferred and debt assumed as part of the transaction on July 1, 1971	

JEFFERSON MEMORIAL HOSPITAL

ALEXANDRIA, VIRGINIA

FINANCIAL STATEMENTS

FOR THE PERIOD

NOVEMBER 1, 1970 TO JUNE 30, 1971

EXHIBIT

782

JTR 001613

COUNCILOR, BUCHANAN & MITCHELL

CERTIFIED PUBLIC ACCOUNTANTS

JAPP. 4282

OUR REPORTS ARE ISSUED WITH THE UNDER-
STANDING THAT, WITHOUT OUR CONSENT, THEY
MAY BE REPRODUCED ONLY IN THEIR ENTIRETY.
SHOULD IT BE DESIRED TO ISSUE OR PUBLISH
A CONDENSATION OR A PORTION OF THIS REPORT
AND OUR NAME IS TO BE USED IN CONNECTION
THEREWITH, OUR APPROVAL MUST FIRST BE
SECURED.

COUNCILOR, BUCHANAN & MITCHELL

JTR 001614

J.APP. 4283

COUNCILOR, BUCHANAN & MITCHELL
CERTIFIED PUBLIC ACCOUNTANTS

February 14, 1972

1300 WISCONSIN AVENUE
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The Board of Directors,
Jefferson Memorial Hospital,
Alexandria, Virginia.

We have examined the balance sheet of Jefferson Memorial Hospital as of June 30, 1971 and the related statements of income and changes in financial position for the period November 1, 1970 to June 30, 1971. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to Notes 9 and 10 included in this report, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital at June 30, 1971 and the results of its operations and the changes in its financial position for the period November 1, 1970 to June 30, 1971, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Councilor, Buchanan & Mitchell

Certified Public Accountants

JTR 001615

JAPP. 4284

JEFFERSON MEMORIAL HOSPITALBALANCE SHEETJUNE 30, 1971ASSETSCASH:

Checking Accounts	\$ 51,256	
Savings Accounts	1,053	
Held in Escrow	3,663	
Petty Cash	275	\$ 56,247

NOTES RECEIVABLE

4,600

ACCOUNTS RECEIVABLE:

Patients	\$854,704	
Less Allowance for Doubtful Accounts	<u>170,296</u>	\$684,408
Jefferson Memorial Hospital Associates		29,355
Doctors		1,356
Employees		655
Other		13,790
Virginia Health Insurance Program - Medicaid	<u>11,777</u>	741,431

ACCRUED INTEREST RECEIVABLE

7,239

INVENTORIES

20,152

PLANT AND EQUIPMENT (Notes 3, 4, 5, 6 and 7):

	Cost	Accumulated Depreciation	Book Value	
Land	\$147,456	\$ -	\$147,456	
Land Improvements	3,927	2,532	1,395	
Fixed Equipment	123,498	35,285	88,213	
Major Movable Equipment	<u>305,807</u>	<u>109,546</u>	<u>196,261</u>	
Total	<u>\$580,688</u>	<u>\$147,363</u>	<u>\$433,325</u>	433,325

OTHER ASSETS:

Prepaid Expense	\$ 26,757	
Deposit - Marriott Hot Shoppes, Inc.	<u>3,000</u>	29,757

TOTAL ASSETS\$1,292,751LIABILITIES AND DEFICITACCOUNTS PAYABLE:

Trade	\$137,154	
Contract Agencies (Note 8)	248,636	
Jefferson Memorial Hospital Associates	43,114	
Jefferson Memorial Hospital Medical Associates	37,010	
Employees' Withholdings	6,202	
Unclaimed Wages	<u>993</u>	\$ 473,109

ACCRUED EXPENSE:

Real Estate Taxes	\$ 72,802	
Salaries	12,559	
Interest	6,696	
Rent	41,852	
Professional Fees	7,406	
Other	<u>1,386</u>	142,701

PROVISION FOR CONTRACT ADJUSTMENTS:

Group Hospitalization, Inc. (Note 9)	\$193,000	
Federal Health Insurance Program - Medicare (Note 10)	<u>87,111</u>	280,111

NOTES PAYABLE

84,503

LEASE AGREEMENT (Note 7)

280,000

BOND PAYABLE - 8% INTEREST PER ANNUM

319,000

ADVANCE DEPOSITS:

Federal Health Insurance Program - Medicare	\$ 43,000	
Group Hospitalization, Inc.	<u>59,000</u>	102,000

FUNDS HELD IN ESCROW

3,89.

DEFICIT:

Operating (Schedule A-1)	(\$412,619)	
Donated Capital	<u>20,051</u>	(392,568)

TOTAL LIABILITIES AND DEFICIT\$1,292,751

JAPP. 4285

The accompanying Notes to Financial Statements are an integral part of these statements.

JTR 001618

JEFFERSON MEMORIAL HOSPITALSTATEMENT OF REVENUEFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971REVENUE FROM SERVICES TO PATIENTS(Schedule F-1):

Routine Services	\$1,441,616
Special Services	<u>1,374,543</u>
	\$2,816,1

PERMANENT FROM SERVICES:Adjustments and Allowances:

Contracting Agencies	\$ 353,145
Non-Contractual Patients	3,302
Employees and Professional Courtesy	5,595
Provision for Uncollectible Accounts -	
Net of Recoveries	<u>107,340</u>
	463.1

Net Revenue from Services to Patients

\$2,347,6

OTHER OPERATING INCOME:Sale of Meals

Commissions

Transcriptions

Sale of Supplies

Miscellaneous

\$ 24,222
505
637
424
<u>69</u>
25.1

Total Operating Revenue

\$2,374,1

OPERATING EXPENSES (Schedule F-2):

Salaries and Wages

Supplies and Expense

Depreciation

Rent of Land, Building and Equipment

Taxes on Land and Building

\$1,000,553
1,173,015
21,747
72,635
<u>11,531</u>
2,279,471

Net Operating Income

\$ 87,4

OTHER INCOME AND EXPENSE (Schedule F-3)

NET INCOME

(35.4)

\$ 52.0

The accompanying Notes to Financial Statements are an integral part of these statements.

JTR 001617

JAPP. 4286

MEMORANDUM TOTAL
STATE OF OHIO - STATE JUDICIAL DEPARTMENT
FOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971

FUNDS PROVIDED:

Net Income (Exhibit B)	\$51,965	
Add Expenses Not Requiring Funds:		
Depreciation	21,747	
Disposal of Major Movable Equipment	<u>4,133</u>	\$ 77,745
Collections on Notes Receivable		90,453
Proceeds from Sale of Equipment		<u>100</u>
 TOTAL		 <u>\$163,293</u>

FUNDS APPLIED:

Curtailments of Notes Payable	\$ 36,195
Retirement of Bonds Payable	24,500
Acquisition of Major Movable Equipment	7,356
Acquisition of Fixed Equipment	4,261
Refund of Medicare Advance Deposit	<u>29,279</u>
 Total Funds Applied	 \$ 92,391
 Increase in Working Capital	 <u>75,321</u>
 TOTAL	 <u>\$163,293</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

JEROME HOSPITAL

OPERATING REVENUE

JUNE 30, 1971

Balance, November 1, 1970		\$406,633
Add:		
Prior Year's Adjustment for the Liability		
to the Social Security Administration		
for the Medicare Program (Note 10)	\$57,111	
Prior Year's Adjustment for the Liability		
to Group Hospitalization, Inc. (Note 9)	<u>29,000</u>	<u>95,111</u>
		\$502,744
Deduct:		
Net Income for the Period November 1, 1970		
to June 30, 1971 (Exhibit B)	\$51,565	
Reduction of Amount Due Pathologist (Note 7)	<u>33,560</u>	<u>90,125</u>
BALANCE, JUNE 30, 1971		<u>\$412,619</u>

JEFFERSON MEMORIAL HOSPITAL

REVENUE FROM SERVICES TO PATIENTS

FOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971

	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>
<u>ROUTINE SERVICES:</u>			
Room and Board	\$1,441,616	\$1,441,616	\$ -
Total Routine Services	\$1,441,616	\$1,441,616	\$ -
<u>SPECIAL SERVICES:</u>			
Operating Room	\$ 193,174	\$ 180,209	\$ 12,965
Recovery Room	42,148	40,704	1,354
Central Supply	54,972	44,439	10,533
Intravenous	11,391	11,364	27
Emergency Service	92,932	6,456	86,476
Laboratory	194,545	181,751	12,794
Blood	9,093	9,093	-
Transfusion Trays	2,318	2,318	-
Electrocardiology	53,351	51,776	1,585
Radio Isotopes	45,150	18,249	26,901
Radiology	193,033	134,597	63,436
Pharmacy	197,620	194,712	2,908
Anesthesia Administration	114,565	111,497	3,068
Anesthesia Material	56,629	52,654	3,975
Inhalation Therapy	84,427	84,118	309
Physical Therapy	24,165	22,351	1,774
Total Special Services	\$1,828,812	\$1,716,133	\$228,115
TOTAL REVENUE FROM SERVICES TO PATIENTS	\$2,816,161	\$2,558,049	\$228,115

JTR 001620

J.APP. 4289

JEFFERSON MEMORIAL HOSPITALOPERATING EXPENSEFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971

	<u>Total</u>	<u>Salaries and Wages</u>	<u>Supplies and Expense</u>	<u>Depreciation</u>
Administration and General	\$ 229,594	\$ 128,000	\$ 93,927	\$ 2,667
Employees' Health and Welfare	76,585	12,852	63,633	45
Dietary	247,413	107,342	137,323	2,748
Housekeeping	134,037	-	133,876	161
Laundry and Linen	52,881	8,245	44,636	-
Operation of Plant	33,389	4,419	28,931	39
Repairs and Maintenance	15,115	3,655	11,292	168
Nursing Service	395,803	382,879	11,574	2,250
Pharmacy	137,344	-	137,286	58
Medical Records and Library	23,944	22,639	1,013	292
Operating Room	131,279	90,206	38,375	2,698
Recovery Room	23,403	22,445	526	132
Intensive Care	62,037	55,911	4,119	1,007
Laboratory	146,257	50,828	92,694	3,325
Radiology	175,225	39,413	135,755	57
Physical Therapy	23,144	6,654	16,458	32
Inhalation Therapy	21,827	14,867	6,616	144
Anesthesiology	101,760	-	101,381	379
Electrocardiology	30,191	6,501	23,633	57
Central Supply	44,514	14,726	29,271	517
Medical and Surgical Service	29,834	-	29,854	-
Blood Bank	5,728	-	5,728	-
Emergency	53,008	28,081	24,630	297
Depreciation on Land Improvements and Fixed Equipment	4,674	-	-	4,674
Total	\$2,200,426	\$1,007,663	\$1,178,016	\$21,747
Rent of Land, Building and Equipment	72,686			
Taxes on Land and Building	12,521			
TOTAL OPERATING EXPENSE	<u>\$2,285,648</u>			

JTR 001621

J.APP. 4290

JEFFERSON MEMORIAL HOSPITAL

OTHER INCOME AND EXPENSE

FOR THE PERIOD JANUARY 1, 1972 TO JUNE 30, 1971

INCOME:

Rents	\$ 6,500	
Interest	6,453	
Miscellaneous	<u>1,609</u>	\$14,5

EXPENSE:

Interest	\$34,990	
Loss on Disposal of Equipment	4,433	
Miscellaneous	<u>11,070</u>	50.1

NET OTHER INCOME AND EXPENSE

(335.9)

JTR 001822

J.APP. 4291

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - TAX STATUS

The Hospital was granted an exemption from Federal taxes as a non-profit institution. However, a subsequent examination by the Internal Revenue Service revealed deficiencies in its tax-exempt status and a notice challenging this status has been issued by the Service. During 1971 counsel for the Hospital withdrew the Hospital's protest and the Hospital has accepted the revocation of its tax-exempt status. Federal corporation tax returns have been filed for all years from October 31, 1966 through October 31, 1970. However, due to operating loss carryforwards no Federal taxes are due and therefore no liability appears on the Corporation's balance sheet.

NOTE 2 - PENDING ACQUISITION

On July 1, 1971 Jefferson Memorial Hospital had entered into an agreement with a new corporation entitled Jefferson Memorial Hospital Corporation whereby all of the assets and liabilities of the Hospital as of June 30, 1971 will be acquired for an exchange of shares of stock of the new corporation.

Although the acquisition is not completed it will be accounted for as a pooling of interests on the new corporation's books.

NOTE 3 - PLANT AND EQUIPMENT IMPAIRMENT

An appraisal of plant and equipment has been made by Marshall and Stevens, Incorporated as of October 31, 1967 and the valuation as determined by them on the property owned or under lease, as explained in Note 6, is included on the accompanying balance sheet. Depreciation on this equipment is computed by the straight-line method and the life assigned is in accordance with the American Hospital Association guidelines for depreciable property.

Property costing less than \$100 is expensed in the year acquired.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LEASE AGREEMENT - LAND

Two lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966. This agreement provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and is also for a period of 99 years with a rental of \$2,406.80 per annum.

NOTE 5 - LEASE AGREEMENT - BUILDING - ORIGINAL

The Hospital is leasing the building it occupies. The lease commenced on January 1, 1966 and is in effect for a period of 40 years with an option to renew for an additional 19 years. The basic annual rental is \$30,940 with a provision that on each tenth anniversary of the commencement date of the lease the annual rental can be adjusted by a formula based on the wholesale price index. In addition, under the terms of the lease the Hospital will pay all maintenance, insurance and taxes on the property.

NOTE 6 - LEASE AGREEMENT - BUILDING - 1969 ADDITION

The Hospital leases the 24-bed addition completed in 1969. No final leasing agreement has been entered into at this time. However, the Hospital, based on the best information available, is accruing \$11,232 per annum to cover the amount when finally determined.

NOTE 7 - LEASE AGREEMENT - EQUIPMENT

Under a refinancing arrangement using a sale and leaseback the Hospital has entered into a lease of equipment in the amount of \$340,000. The lease commenced on January 2, 1966 and extends for a period of ten years, at which time the equipment will be contributed to the Hospital at no additional cost. Under the terms of the lease agreement the basic annual rental is \$17,500 for the first two years; \$25,000 for the second two years; and \$42,500 for the subsequent six years. No curtailment of this liability has been made by the Hospital since 1966. In addition to the basic annual rental, the Hospital shall provide and pay all maintenance, repairs, taxes and insurance on the equipment.

The leased equipment has been entered on the books of the Hospital at the value determined by Marshall and Stevens, Incorporated and is being depreciated in accordance with their report.

The corresponding liability for the leased equipment has similarly been entered on the books and appears on the accompanying Balance Sheet as "Lease Agreement".

NOTE 8 - SETTLEMENT OF AMOUNT DUE UNDER CONTRACT
WITH PATHOLOGIST

In December, 1971 an agreement was reached between the Hospital and the pathologist. The liability as recorded on the books of the Hospital prior to settlement was \$221,756 and was included in the amount shown as Accounts Payable Contract Agencies on the Balance Sheet.

Settlement was agreed upon by both parties involved at \$183,196, payable in cash of \$10,000 plus an agreement to finance the balance of \$173,196 at \$2,836.60 per month at 6% interest until February 1, 1977. Although this settlement was subsequent to the balance sheet date, the adjustment has been reflected the accompanying Balance Sheet.

JTR 001625

JAPP. 4294

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PROVISION FOR GROUP HOSPITALIZATION, INC.
ADJUSTMENT

The provision in the amount of \$193,000 is for an estimated liability for the period January 1, 1969 to June 30, 1971 to Group Hospitalization, Inc. under contract with the Hospital. An amount for reimbursement for services rendered to subscribers of GHI is determined for each fiscal year by that organization in accordance with a specified cost formula. During the year payments are received from GHI as services are rendered to its subscribers but these payments exceed the actual allowable charge to GHI for services under its contract. Although this provision is based on the best information available from GHI and the Hospital's books and records it is not possible to determine the exact amount of this liability.

NOTE 10 - PROVISION FOR FEDERAL MEDICARE PROGRAM
ADJUSTMENT

Reimbursement for services rendered to patients under the Federal Medicare Program is determined for each fiscal year in accordance with a specified cost analysis. During the year payments are received from Group Hospitalization, Inc., the intermediary for Medicare, as hospital services are rendered to the patients. The provision of \$37,111 covers the amount due the Medicare program for overpayments for the period November 1, 1966 to June 30, 1971. Of this amount, \$32,654 is a final settlement for the year ended October 31, 1967. The balance of \$54,257 is based on the cost reports filed with the intermediary. However, audits will be performed by the intermediaries which undoubtedly will result in adjustments to this amount.

JTR 001626

J.APP. 4295

VIRGINIA STATE DEPARTMENT OF HEALTH
APPLICATION FOR LICENSE RENEWAL: HOSPITALS
for year ending December 31, 1982

In accordance with the provisions of Chapter 5, Article 1, Title 32.1, Code of Virginia of 1950, all non-federal medical and nursing facilities desiring licensure as a general or special hospital, nursing home, or related facility in Virginia must submit the following information to the State Department of Health.

ANY CHANGES DURING THE YEAR WHICH WOULD AFFECT THE ACCURACY OF THE FOLLOWING INFORMATION MUST BE REPORTED PROMPTLY TO THE STATE DEPARTMENT OF HEALTH.

OFFICIAL NAME
OF FACILITY:

JEFFERSON MEMORIAL HOSPITAL

NUMBER & STREET:

4600 King Street

CITY OR TOWN:

Alexandria

VIRGINIA 22302

(Zip Code)

COUNTY:

NA

CHIEF ADMINISTRATIVE
OFFICER OF FACILITY:

Carl E. Linton

(Name)

Administrator

(Title)

703-998-4870

(Phone No.)

TYPE OF LICENSE REQUESTED: (Check one)

☒ 1. General hospital

☐ 3. Outpatient hospital

☐ 2. Special hospital

☐ 4. Nursing home

Is any part of the facility licensed by another State agency? YES ☐ NO ☒

(Name and Title)

(Number of Beds)

Does anyone on the staff currently hold a Nursing Home Administrator's license from Virginia?

YES ☐ NO ☒

(Name and Title)

(Nursing home Administrator's
Certification Number)

Carl E. Linton
(Signature of Official Signatory)

703-998-4870

(Telephone Number)

Carl E. Linton - Administrator

(Official Signatory Name and Title - Type or Print)

11-12-81

(Date of Completion)

If there are questions about
your responses to this form,
who should be contacted?

Karen L. Bostick

(Name - Please Type or Print)

703-998-4872

(Telephone Number)

SERVICE CHARGE ACCORDING TO THE NUMBER OF BEDS - EXCLUDE CASSINETS: (Check one)

☐ 0 - 50 beds (\$75)

☒ 51 - 333 beds \$1.50 per bed

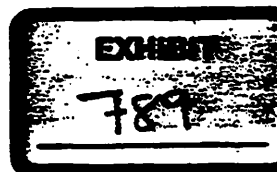
☐ 334 beds plus (\$500)

Make Check or Money Order

Payable to:

STATE DEPARTMENT OF HEALTH

MAIL TO: Virginia State Department of Health
Bureau of Medical & Nursing Facilities Services
James Madison Building, 10th floor
109 Governor Street
Richmond, Virginia 23219



**I. LICENSING CLASSIFICATION OF HOSPITALS
AND BED CAPACITY BY SERVICE**

Name of Facility:		FOR OFFICE USE ONLY	
TYPES OF BEDS BY LICENSE CLASSIFICATION	Current Beds Staffed	Licensed Beds Requested	Total Licensed Beds Approved Date: <u>11-25-81</u> <i>W.H.W.</i>
A. General and Special Hospitals			
TOTAL BED CAPACITY (Excluding Bassinets)	<u>120</u>	<u>120</u>	<u>120</u>
Medical/Surgical	<u>112</u>	<u>112</u>	<u>112</u>
Intensive Care Units			
General/Mixed ICU	<u>8</u>	<u>8</u>	<u>8</u>
Cardiac Care Unit	<u> </u>	<u> </u>	<u> </u>
Other ICU (Specify)	<u> </u>	<u> </u>	<u> </u>
Other ICU (Specify)	<u> </u>	<u> </u>	<u> </u>
Pediatric Unit	<u> </u>	<u> </u>	<u> </u>
Obstetric Unit	<u> </u>	<u> </u>	<u> </u>
Psychiatric Unit	<u> </u>	<u> </u>	<u> </u>
Self-Care Unit	<u> </u>	<u> </u>	<u> </u>
Cardiac Rehabilitation Unit	<u> </u>	<u> </u>	<u> </u>
Medical Rehabilitation Unit	<u> </u>	<u> </u>	<u> </u>
Alcohol Detoxification Unit	<u> </u>	<u> </u>	<u> </u>
Alcohol Rehabilitation Unit	<u> </u>	<u> </u>	<u> </u>
Abortion Unit	<u> </u>	<u> </u>	<u> </u>
Long Term Care Unit			
Skilled Care (Title 18/19)	<u> </u>	<u> </u>	<u> </u>
Intermediate Care (Title 19)	<u> </u>	<u> </u>	<u> </u>
Non-Certified Nursing Care	<u> </u>	<u> </u>	<u> </u>
Other (specify)	<u> </u>	<u> </u>	<u> </u>
Other (specify)	<u> </u>	<u> </u>	<u> </u>
NUMBER OF BASSINETS		<u> </u>	<u> </u>
B. Outpatient Hospital Only (Check)			
Outpatient Surgery		<u> </u>	<u> </u>
Outpatient Abortions only		<u> </u>	<u> </u>

11. OWNERSHIP AND OPERATION OF HOSPITAL

In accordance with the provisions of Chapter 5, Article 1, Title 32.1, Code of Virginia of 1950, all non-federal medical facilities desiring licensure as a general or special hospital in Virginia must annually submit the following information to the State Department of Health.

ANY CHANGES DURING THE YEAR WHICH WOULD AFFECT THE ACCURACY OF THE FOLLOWING INFORMATION MUST BE REPORTED PROMPTLY TO THE STATE DEPARTMENT OF HEALTH.

4. LEGAL NAME OF OWNER: Jefferson Memorial Hospital Corporation

NUMBER & STREET: 4600 King Street

CITY OR TOWN: Alexandria, VIRGINIA 22302

2. TYPE OF OWNERSHIP AND CONTROL Is the facility operated by its owner? YES X NO

If the facility IS owner-operated, complete only Column A below.

If the facility IS NOT operated by the owner, complete both Column A and Column B.

(A) OWNER (one)	(B) OPERATOR (one)	
_____	_____	<u>State or Local Government:</u>
_____	_____	(11) State
_____	_____	(12) County
_____	_____	(13) City
_____	_____	(14) Joint City-County
_____	_____	(15) Hospital District/Authority
_____	_____	<u>Non-Profit:</u>
_____	_____	(20) Church Related
_____	_____	(21) Non-Profit Corporation
_____	_____	(22) Other Non-Profit
_____	_____	<u>Proprietary:</u>
_____	_____	(23) Single Proprietorship
_____	_____	(24) Partnership
<u>X</u>	_____	(25) Corporation

C. INFORMATION REQUIRED FROM OWNER(S) OF THE FACILITY:

LIST THE FOLLOWING INFORMATION IN THE SPACE PROVIDED BELOW: (Attach a separate sheet IF necessary.)

1. Name and address of corporation, agency or organization.
2. Name(s) and address(es) of director(s) or officer(s) -- and title(s).
3. FOR PROPRIETARY ORGANIZATIONS ONLY -- Name(s) and address(es) of single owner, partners, persons or other corporations having a financial interest of five percent (5%) or more in the organization.
4. FOR CORPORATE APPLICANTS ONLY -- Name and address of the Registered Agent.

1. Jefferson Memorial Hospital Corporation
4600 King Street
Alexandria, Virginia, 22302

2. See Attachment #1
3. See Attachment #1
4. See Attachment #1

D. INFORMATION REQUIRED FROM OPERATOR(S) OF THE FACILITY:

IF THE FACILITY IS NOT OPERATED BY THE OWNER, ALSO PROVIDE THE FOLLOWING INFORMATION ON THE OPERATOR(S) OF THE FACILITY: (Attach a separate sheet if necessary.)

1. Name and address of corporation, agency or organization.
2. Name(s) and address(es) of director(s) or officer(s) -- and title(s).
3. FOR PROPRIETARY ORGANIZATION ONLY -- Name(s) and address(es) of single owner, partners, persons or other corporations having a financial interest of five percent (5%) or more in the organization.
4. FOR CORPORATIONS ONLY -- Name and address of the Registered Agent.

NOTE: IF THERE IS A SEPARATE SECOND PARTY LEASE AGREEMENT BETWEEN THE OWNER GROUP AND THE MANAGEMENT GROUP, PROVIDE THE SAME FOUR ITEMS OF OWNERSHIP INFORMATION FOR THE LESSEE.

PART IV

OWNERSHIP AND OPERATION OF MEDICAL OR NURSING FACILITY

ANY CHANGES DURING THE YEAR WHICH WOULD AFFECT THE ACCURACY OF THE FOLLOWING INFORMATION MUST BE REPORTED PROMPTLY TO THE STATE DEPARTMENT OF HEALTH.

A. OFFICIAL NAME OF FACILITY: Jefferson Memorial Hospital
 NUMBER & STREET: 4600 King Street
 CITY OR TOWN: Alexandria COUNTY: N/A VA. 22302
 (Zip Code)

B. LEGAL NAME OF OWNER: Jefferson Memorial Hospital Corporation
 NUMBER & STREET: 4600 King Street
 CITY OR TOWN: Alexandria COUNTY: N/A VA. 22302
 (Zip Code)

C. TYPE OF OWNERSHIP AND CONTROL Is the facility operated by its owner? YES NO X
 If the facility IS owner operated, only complete Column A below.
 If the facility IS NOT operated by the owner, complete both Column A and Column B.

(A) OWNER (✓one)	(B) OPERATOR (✓one)	
		<u>State or Local Government</u>
_____	_____	(11) State
_____	_____	(12) County
_____	_____	(13) City
_____	_____	(14) Joint City-County
_____	_____	(15) Hospital District/Authority
		<u>Non-Profit</u>
_____	_____	(20) Church Related
_____	_____	(21) Non-Profit Corporation
_____	_____	(22) Other Non-Profit Ownership
		<u>Proprietary</u>
_____	_____	(23) Single Proprietorship
_____	_____	(24) Partnership
<u>X</u>	<u>X</u>	(25) Corporation

PART IV CONTINUED ON BACK

PART IV (CONTINUED)

D. INFORMATION REQUIRED FROM OWNER(S) OF THE FACILITY:

LIST THE FOLLOWING INFORMATION IN THE SPACE PROVIDED BELOW: (Attach a separate sheet if necessary)

1. Name and address of individual, corporation, agency or organization who owns the building(s).
  2. Name(s) and address(es) of director(s) or officer(s) -- and title(s).
  3. FOR PROPRIETARY ORGANIZATIONS ONLY--Name(s) and address(es) of single owner, partners, persons or other corporations having a financial interest of ten percent (10%) or more in the facility. By each owner's name indicate percentage of ownership.
  4. FOR CORPORATE APPLICANTS ONLY--Name and address of the Registered Agent.
1. Jefferson Memorial Hospital Joint Venture, 4600 King Street, Alexandria, VA. 22302
  2. Jefferson Memorial Hospital Corporation
Leslie L. Peters, M.D. President
Samuel D. Burtoff, M.D. Vice President
Laszlo N. Tauber, M.D. Secretary
Richard F. Sappington, Jr., M.D. Vice President-Medical Affairs
Lucio Luccioli, M.D. Treasurer
  3. Laszlo N. Tauber, M.D.
Leslie P. Gondor, M.D.
Samuel D. Burtoff, M.D.
Michael Corrado, M.D.
  4. John Thorpe Richards, Esq.
117 South Fairfax Street
Alexandria, Virginia 22314

E. INFORMATION REQUIRED FROM OPERATOR(S) OF THE FACILITY:

IF THE FACILITY IS NOT OPERATED BY THE OWNER, ALSO PROVIDE THE FOLLOWING INFORMATION ON THE OPERATOR(S) OF THE FACILITY: (Attach a separate sheet if necessary)

1. Name and address of individual, corporation, agency or organization who is responsible for management of the facility.
  2. Name(s) and address(es) of director(s) or officer(s) -- and title(s).
  3. FOR PROPRIETARY ORGANIZATIONS ONLY--Name(s) and address(es) of single owner, partners, persons or other corporations having a financial interest of ten percent (10%) or more in the management organization.
  4. FOR CORPORATIONS ONLY--Name and address of the Registered Agent.
1. Health Group of Virginia, Inc., Suite 801, One Commerce Pl., Nashville, TN. 37219
  2. Officers:
George P. Van Chairman and President
Richard L. Martin Vice President
Paul E. Boklage Vice President and Secretary
Directors:
George P. Van, Suite 801, One Commerce Pl., Nashville, TN 37219
Lucius E. Burch, III, Suite 801, One Commerce Pl., Nashville, TN 37219
John C. Neff, Suite 801, One Commerce Pl., Nashville, TN 37219
Joseph V. Russell, Suite 801, One Commerce Pl., Nashville, TN 37219
Frederick R. Adler, Suite 801, One Commerce Pl., Nashville, TN 37219
Jerome A. Bohland, Suite 801, One Commerce Pl., Nashville, TN 37219
Bill B. Jones, Suite 801, One Commerce Pl., Nashville, TN 37219
Richard W. Lock, Suite 801, One Commerce Pl., Nashville, TN 37219
William F. Spengler, Suite 801, One Commerce Pl., Nashville, TN 37219
E. B. Lyon, III, Suite 801, One Commerce Pl., Nashville, TN 37219

(SEE ATTACHMENT)

NOTE: IF THERE IS A SEPARATE SECOND PARTY LEASE AGREEMENT BETWEEN THE OWNER GROUP AND THE MANAGEMENT GROUP, PROVIDE THE SAME FOUR ITEMS OF OWNERSHIP INFORMATION FOR THE LESSEE. ATTACH A SEPARATE SHEET.

December 29, 1981

Mr. Carl E. Linton, Administrator
Jefferson Memorial Hospital Corporation
4600 King Street
Alexandria, VA 22302

Dear Mr. Linton:

Enclosed is Renewal License No. 167 to operate the above captioned hospital for the year ending December 31, 1982.

Sincerely,

Mary V. Francis
Director
Division of Medical and
Nursing Facilities Services

Enclosure:

ASSIGNMENTS OF ERROR

1. The trial court erred when it failed to apply governing Maryland law to determine the rights and liabilities of the directors of a Maryland corporation for an alleged breach of fiduciary duty.
2. The trial court's failure to apply Maryland law violated the Full Faith and Credit, Due Process and Commerce Clauses of the United States Constitution.
3. The trial court erred when it held that the transaction at issue could be voided regardless of its fairness to the corporation.
4. The trial court erred when it failed to apply the law in effect at the time the court rendered its decision.
5. The trial court erred when it held that the transaction constituted the self-dealing of corporate trustees with trust property rather than a transaction between these corporate trustees and their cestui que trust.
6. The trial court erred when it held that corporate directors who properly sought legal advice and then, in good faith, followed their attorney's advice could not rely upon the advice-of-counsel defense.
7. The trial court erred when it concluded that, notwithstanding the Virginia Constitution's abrogation of the Attorney General's common law powers, the Attorney General nevertheless had common law authority to bring this suit.
8. The trial court erred when it concluded that the Virginia Attorney General has standing, and the Circuit Court has jurisdiction, to regulate the internal corporate affairs of a Maryland corporation.

9. The trial court erred when it concluded that the Commonwealth's Attorney could proceed with this suit under Title 55 of the Code of Virginia.

10. The trial court erred when it permitted the Attorney General's special counsel, who was unlawfully hired on a contingent fee basis, to prosecute this action on behalf of the Commonwealth.

11. The trial court erred when it held that the Commonwealth's 25-year delay in bringing this action did not prejudice petitioners and, pursuant to the doctrine of laches, bar this suit.

12. The trial court erred when it concluded that the Commonwealth could assert a claim to real property where, with the Commonwealth's knowledge, the title to that property had previously been quieted in a quiet title action.

13. The trial court erred when it found that a 1970 subdivision of the real estate underlying the hospital was not properly apportioned and a pre-subdivision undivided interest in the property could, twenty-five years later, be subject to a constructive trust.

14. The trial court erred when it found that petitioners failed to use due diligence and were motivated by private inurement when they approved the corporate reorganization of the hospital.