

ARCHITECTS OF CAPITAL



INVESTMENT BANKING
STRATEGIC AND FINANCIAL ADVISORY
MERGERS & ACQUISITIONS ADVISORY
CAPITAL MARKETS

Shattuck Hammond Partners LLC is a specialty investment banking firm, independently owned by its active senior partners.

Shattuck Hammond is dedicated to providing the best in investment banking services and expertise to our clients in healthcare (including hospitals, health systems, academic medical centers, managed care, information technology and ancillary companies), education, the specialty nonprofit sector, real estate, and middle market consumer and industrial companies, financial institutions, and business services companies.



SHATTUCK
HAMMOND
PARTNERS

ASSISTING CLIENTS TO SOLVE COMPLEX PROBLEMS, CAPITALIZE ON OPPORTUNITIES AND BUILD LONG-TERM VALUE

Shattuck Hammond Partners serves as investment banker to healthcare, educational, specialty nonprofit and middle market companies for their most important investment banking needs. With specialized sector expertise, national coverage, senior banker staffing, and a wealth of financing and M&A transaction experience, Shattuck Hammond brings the highest levels of innovation, dedication and seasoned professionalism to every engagement. As ARCHITECTS OF CAPITAL, Shattuck Hammond is committed to providing the best in investment banking service to meet our clients' long-term objectives.

In the tradition of great architects, Shattuck Hammond begins each engagement with a comprehensive analysis of a client's long-term objectives. We then apply our in-depth industry experience and broad technical skill to identify the creative solutions and financing options that will deliver long-term value and assist our clients in effectively implementing their strategic business and capital plans. The "Shattuck Hammond difference" is evidenced by our clients, including many nationally-prominent organizations that have the option of working with any Wall Street firm, but choose Shattuck Hammond as their investment banker.

Industry Expertise For clients in healthcare services, information technology, and real estate, as well as those in the middle market and specialty nonprofit sectors, we have the in-depth expertise and insider's perspective necessary to develop creative and practical M&A and financing strategies to meet any challenge, while the team of industry leaders from our Strategic Advisory Board plays a vital role in strategy development.

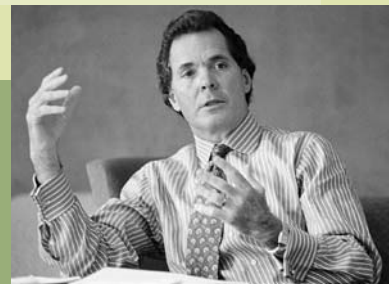
Independent, Objective Advice Shattuck Hammond's investment banking clients are our only clients. As a private firm, our advisory services and recommendations are always driven exclusively by our clients' long-term interests and objectives.

Focus on Long-Term Relationships Unlike many investment banks, Shattuck Hammond works to build long-term relationships rather than developing strategies based on the latest financial products in vogue or the next transaction.

Dedicated Senior Bankers Every client relationship at Shattuck Hammond is led by active senior professionals. As experienced and trusted advisors to CEOs, Boards and managers, our senior bankers maintain an essential hands-on role from the earliest planning phases through execution.

Shattuck Hammond brings "best-of-market" talent and resources to every engagement. In financial advisory, strategic advisory, and M&A advisory services, and equity placement, taxable and tax-exempt debt placement and underwriting activities, our measure of success is our clients' success.

We thank our clients and industry colleagues for the opportunities of working with you and look forward to the future.



Specialized Investment Banking Services

STRATEGIC AND FINANCIAL ADVISORY

- Strategic Capital Planning
- Strategic Options Analysis
- Tax-exempt Bond Financial Advisory
- Credit Rating Advisory
- Debt Capacity Assessment
- Financial Forecast Modeling and Sensitivity Analysis
- Real Estate Transaction Alternatives Study
- IPO Advisory
- Leadership Development

MERGERS & ACQUISITIONS ADVISORY

- Acquisitions and Divestitures
- Mergers, Joint Ventures and Contractual Affiliations
- Valuations
- Recapitalizations and Restructurings
- Fairness Opinions

CAPITAL MARKETS

- Tax-exempt Bond Financial Advisory
- Tax-exempt and Taxable Debt Underwriting
- Online Bond Auctions
- Private Placements of Debt and Equity Securities
- Real Estate Financing and Monetization
- Advisor and Competitive Bid Agent on Swaps, Derivative Products and Investment Products
- Independent Derivative Valuation and Payment Verification

Select Client Listings

HEALTHCARE SERVICES

Hospitals, health systems, AMCs, physician clinics and managed care and senior living/long term care companies

- Advocate Health Network
- Aetna
- Baptist Health System of East Tennessee
- California HealthCare Foundation
- Cedars-Sinai Health System
- Central Maine Medical Center
- Childrens Hospital Los Angeles
- Citrus Valley Health Partners
- Covenant Health Systems
- Danbury Health Systems
- Doylestown Hospital
- Health Net
- Freeport Regional Health Network
- Gateway Health Plan
- Geisinger Health System
- The George Washington University
- Georgetown University
- The Health Alliance of Greater Cincinnati
- Hawaii Pacific Health
- Hebrew Rehabilitation Center for Aged
- Kaleida Health
- Lehigh Valley Health Network
- LifeSpan Corporation
- Lucile Packard Children's Hospital at Stanford

- Mayo Clinic
- MDNY Healthcare
- MedSpan
- Mid-Florida Medical Services
- New Seasons Assisted Living Communities
- North Penn Hospital
- Northern Metropolitan Group
- Novant Health
- Ochsner Clinic Foundation
- Oxford Health Plans
- Phoebe Putney Health System
- Piedmont Hospital
- Private Healthcare Systems
- Rockford Health System
- Saint Mary's Health Network
- SelectCare
- Shands Jacksonville Medical Center
- ViaHealth
- Virginia Hospital Center
- Arlington Health System
- Virginia Mason Medical Center
- Washington County Health System
- West Penn Allegheny Health System
- Winthrop South Nassau University Health System

HEALTHCARE TECHNOLOGY AND ANCILLARY

Healthcare information technology and ancillary healthcare companies

- Definity Health
- Dictaphone
- Documedics
- The Health Alliance of Greater Cincinnati
- Home Health Corporation of America
- InSight Health Services
- IDX Systems
- Johns Hopkins Medicine
- LanVision Systems
- Medistat Pharmacy Services
- Pathology Associates
- Pharmakon
- Prime Therapeutics
- SafeGuard Health Enterprises
- Smart Corporation
- Span Contract Packaging
- Universal Home Care
- U.S. Script
- Visiting Nurse Service of New York
- Zynx Health

CONSUMER AND INDUSTRIAL

Consumer and industrial products companies

- BIL Group
- D'Agostino Supermarkets
- Duckback Products
- Erwin Industries
- Folz Vending Company
- GC/Waldom
- Hamilton Precision Metals
- Hampshire Group
- Katy Industries

FINANCIAL INSTITUTIONS/BUSINESS SERVICES

Business services companies and financial institutions

- Atlantic Assurance Group
- Atlantic Title Company
- Partners Equity Capital Company
- Ramp Corporation
- Savings First Mortgage

REAL ESTATE

Real estate owners, REITs, and developers

- Advocate HealthCare
- Anchor Health Properties
- B/E Aerospace
- CaroMont Health
- Danbury Hospital
- FMOL/Our Lady of Lourdes Regional Medical Center
- Hampshire Group
- Hawaii Pacific Health
- Health Care Property Investors
- Our Lady of Mercy
- Omega Healthcare Investors
- Provena Health
- Rush-Copley Medical Center
- Swedish Health Services
- University of Connecticut Health Center
- Valley Medical Center

EDUCATION AND SPECIALTY NONPROFIT

Educational and specialty nonprofit organizations

- Academy of Motion Picture Arts and Sciences
- Association of American Medical Colleges
- Gonzaga College High School
- Howard Hughes Medical Institute
- Human Rights Campaign
- Institute for Defense Analyses
- The Henry J. Kaiser Family Foundation
- Protestant Episcopal Cathedral Foundation
- RAND Corporation
- Service Employees International Union
- U.S. Pharmacopeial Convention
- World Wildlife Fund

Case Studies

- 1 Strategic Capital Advisor to Healthcare Service Companies
- 2 Strategic Options and M&A Advisor to Healthcare Clients
- 3 Achieving Lower Financing Costs Through Shattuck Hammond Online Bond Auctions
- 4 Strategic and Financial Advisor to Healthcare Information Technology and Ancillary Service Companies
- 5 Expert and Experienced Advisor in Managed Care
- 6 Specialized Financial Advisory Service to Senior Living and Long-Term Care Companies
- 7 Interest Rate Swap and Derivative Products Advisory
- 8 Financing and Value Realization for the General Industries Sector
- 9 Meeting the Needs of Specialty Nonprofit Organizations
- 10 Expertise in the Healthcare and Pharmaceutical Distribution Industry
- 11 Unlocking the Value of Real Estate

Shattuck Hammond's origins, growth and success trace to our "client's interest first" approach and our specialty investment banking focus dedicated to meeting the capital needs of academic medical centers, hospitals and health systems, and physician clinics, including strategic capital planning, bond rating and credit advisory, bond underwriting and financial advisory services. Shattuck Hammond healthcare service clients range from small community hospitals to many of the leading national organizations in healthcare today. In recognition of our industry expertise, Shattuck Hammond was selected by California HealthCare Foundation to study and publish a comprehensive research report assessing the financial health of the California hospital industry.

**Mayo Clinic** Rochester, Minnesota

Since 1984, Mayo Clinic has expanded broadly in services and locations while also making important progress in many areas of scientific discovery, which has required a large financial investment. For a range of financing projects, Mayo has worked extensively with Shattuck Hammond bankers on over \$2.2 billion of financings and other projects for Mayo Health System, Charter House, Mayo Medical Ventures and Mayo Collaborative Services.

Shattuck Hammond Financing Activity

Underwriter, placement agent, financial advisor or bid agent on capital markets transactions totaling more than \$13.8 billion during the last decade.

More than \$1.5 billion in bond remarketing, financial products and reinvestment services.

Virginia Mason Medical Center Seattle, Washington

Shattuck Hammond bankers have worked with Virginia Mason, a leading physician clinic health system, for more than 15 years in capital planning, financing and strategic affiliations, and divestiture engagements, including:

- Advisor on VMMC's conversion to a not-for-profit foundation in 1987;
- Advisor/underwriter on more than \$250 million of financings;
- Advisor on valuation, negotiation and sale of Virginia Mason Health Plan to Aetna, with ongoing provider contract; and,
- Advisor and competitive bid agent on a creative "total return swap" transaction designed to maximize interest savings on an outstanding bond issue.

Shattuck Hammond Service to Religious-Sponsored Healthcare Systems

Shattuck Hammond bankers have worked extensively with nonprofit religious-sponsored healthcare providers in strategic capital planning and strategic options analysis, credit and rating advisory, financial advisory and bond underwriting services. These providers include Franciscan Missionaries of Our Lady Health System (Baton Rouge, Louisiana), Saint Mary's Health Network (Reno, Nevada), Cedars-Sinai Health System (Los Angeles, California), and Baptist Health System of East Tennessee (Knoxville, Tennessee).

2 Strategic Options and M&A Advisor to Healthcare Clients

Strategic Options Analysis / Valuations / Fairness Opinions / M&A and Divestiture Advisory

With in-depth expertise in all healthcare service sectors and experience in working with both nonprofit and for-profit companies on merger & acquisition transactions, Shattuck Hammond often serves as a valued and trusted advisor to Boards of Directors when making important strategic option decisions, including:

- whether and how best to acquire another organization;
- whether and how best to divest “non-core” assets;
- whether to sell a community hospital in order to establish a community foundation; and,
- whether to merge with another organization and on what terms.

Virginia Hospital Center Arlington Health System Arlington, Virginia

Over many years, Shattuck Hammond has provided VHCA and its Board with strategic options advisory, M&A and financing services to support several desired long-term objectives. Services have included:

- valuation, negotiation and fairness opinion services on a hospital joint venture with HCA, and the simultaneous creation of a \$150 million community foundation;
- advisor on termination of HCA joint venture and strategic capital plan for VHCA as a new nonprofit entity;
- advisor on financing options and on \$150 million bonds sold competitively via www.shattuckhammondauction.com;
- advisor and bid agent on a series of interest rate swaps; and,
- advisor on VHCA’s assessment of “non-core” business and subsequent divestiture of its CCRC, The Washington House.

Shattuck Hammond similarly advised the Board of Mid-Florida Medical Services, a nonprofit health system located in Winter Haven, Florida. Services included Strategic Options Assessment and support for divestiture of Lake Wales Medical Center, a facility outside Mid-Florida’s prime market, to redeploy resources to the organization’s core mission and target market.

North Penn Hospital Lansdale, Pennsylvania

North Penn, a 150-bed community hospital, faced significant market and capital challenges to survive and continue to meet community needs within its service area. The Board of North Penn engaged Shattuck Hammond Partners to:

- develop a strategic options analysis;
- identify potential strategic partner candidates;
- conduct a competitive bid among selected qualified partners;
- negotiate and finalize sale to Universal Health Services and establish a community foundation from sale proceeds; and,
- provide a fairness opinion to the Board.

Academic Medical Centers

Shattuck Hammond’s strategic advisory services have been particularly applicable to AMCs that must deliver on their medical education and research missions while competing effectively with other providers and safeguard the financial health of their sponsoring universities. Several university and AMC Boards of Trustees have engaged Shattuck Hammond to assist on very challenging strategic engagements, including:

The George Washington University Washington, D.C.

Shattuck Hammond advised the Board on its strategic options for George Washington University Hospital, its HMO, its faculty practice plan and a strategic joint venture with Universal Health Services to build a new hospital facility on the university campus.

Georgetown University Washington, D.C.

Shattuck Hammond served as exclusive investment banker to the Board on the divestiture of its hospital and medical clinical business enterprise to MedStar Health, the largest nonprofit health system in the Washington, D.C. area.

Achieving Lower Financing Costs Through Shattuck Hammond Online Bond Auctions

www.shattuckhammondauction.com

With the 1999 launch of www.shattuckhammondauction.com, our proprietary Internet-based competitive bond auction platform, Shattuck Hammond introduced an increased level of competition and efficiency to the new issue sale process for fixed-rate tax-exempt bonds. Through this innovative online technology, clients can access the new issue bond market using a real-time Internet-based auction that enhances the competitive bidding process, putting significant upward pressure on prices and corresponding downward pressure on interest rates and transaction fees. The result is a significant reduction in the cost of borrowing for Shattuck Hammond clients.

Date	Issuer	Description	Principal	Winning Auction Format
5/7/2003	Lehigh County General Purpose Authority, PA	Hospital Revenue Bonds (Lehigh Valley Health Network) Series A of 2003	\$ 61,240,000	ACBF
10/3/2001	Industrial Development Authority of Arlington County, VA	Fixed Rate Hospital Revenue Bonds (Virginia Hospital Center Arlington Health System) Series 2001	\$ 148,470,000	ACBF
10/2/2001	Lehigh County General Purpose Authority, PA	Hospital Revenue Bonds (Lehigh Valley Health Network) Series B of 2001	\$ 32,040,000	ACBF
4/24/01	Lehigh County General Purpose Authority, PA	Hospital Revenue Bonds (Lehigh Valley Health Network) Series A of 2001	\$ 20,545,000	ACBF
11/21/00	Mifflin County Hospital Authority, PA	Revenue Bonds (Lewistown Hospital Obligated Group Project) Series 2000	\$ 23,205,000	ACBF
11/16/00	Maryland Health and Higher Education	Revenue Bonds Public School Issue	\$ 20,295,000	ACBF

Lehigh Valley Health Network Allentown, Pennsylvania

For longtime Shattuck Hammond client Lehigh Valley Health Network (LVHN), accessing tax-exempt capital through an online bond auction has represented the optimal strategy for three separate bond issues offered for sale through www.shattuckhammondauction.com.

Most recently, eleven firms participated in the real-time auction for \$60.8 million of fixed rate bonds rated “A2” by Moody’s. Five dealers submitted multiple bids, incrementally increasing their price and, consequently, decreasing LVHN’s cost of borrowing. The auction’s 19 bids had a 2.3 basis point spread between the high and low bids, which translated into more than \$300,000 of interest savings for LVHN.

Representative Shattuck Hammond Online Bond Auctions

- Virginia Hospital Center Arlington Health System (Arlington, Virginia), \$150,800,000 revenue bonds
- Lehigh Valley Health Network (Allentown, Pennsylvania), \$20,640,000 and \$30,350,000 revenue bonds
- Lewistown Hospital (Lewistown, Pennsylvania) \$23,175,000 revenue bonds
- The Bullis School (Potomac, Maryland) \$20,600,000 revenue bonds
- World Wildlife Fund (Washington, D.C.) \$42,010,000 revenue bonds

By maximizing the number of bids and having multiple bids from the same firm, Shattuck Hammond’s bond auction capability reduced the cost of borrowing, making access to capital from the public bond markets significantly more attractive for us.

—Vaughn Gower, CFO, Lehigh Valley Health Network

4 Strategic and Financial Advisor to Healthcare Information Technology and Ancillary Service Companies

M&A and Divestiture Advisory / Valuations / Fairness Opinions / Capital Markets Financings

Healthcare information technology and ancillary healthcare service companies are increasingly important segments of the healthcare sector. Shattuck Hammond's bankers are assisting clients with creative financing and merger & acquisition strategies that capitalize on rapid market change and growth opportunities.

Healthcare Information Technology

Within HCIT the need for expert advisory and capital raising services is clear, as the sector is poised for rapid growth and expansion due to improved technology, an increased emphasis on medical information and patient safety, and growing physician support. Shattuck Hammond has provided advisory, M&A and capital markets services to several industry leaders, including:

Zynx Health *Beverly Hills, California*

Shattuck Hammond advised Zynx Health, a provider of evidence-based clinical information and research, and its parent, Cedars-Sinai Health System, on maximizing the value of Zynx. Our strategic options assessment helped Cedars-Sinai to recognize that the capital requirements and risk associated with Zynx and an internal growth strategy were not a good match for Cedars-Sinai's nonprofit mission. Through a controlled auction, we identified a new partner for Zynx, ultimately leading to the sale of Zynx to Cerner Corporation.

Smart Corporation *Alpharetta, Georgia*

Shattuck Hammond served as advisor to privately-held Smart, the oldest and largest medical records release-of-information company, on an equity investment in the company by Crescent Capital Investments.

IDX Systems *Burlington, Vermont*

Shattuck Hammond served as investment banker to IDX (NASDAQ: IDXC), a large software vendor, to arrange a \$40 million revolving line of credit to finance facilities expansion.

Ancillary Health Service Companies

Ancillary service companies (including home healthcare, diagnostic testing laboratories, diagnostic imaging, and pharmacy benefits management) continue to face capital challenges for continued growth as well as roll-up and exit strategies. Shattuck Hammond's experience in these sectors is extensive, ranging from work with nonprofits seeking to divest "non-core" businesses to acquisition strategies for private companies and "take-private" transactions.

InSight Health Services *Lake Forest, California*

Shattuck Hammond has advised InSight, a major diagnostic imaging services provider, on business strategies and M&A transactions for six years, beginning at its inception and continuing through a subsequent merger, 14 acquisitions, two high-yield debt offerings and a \$400 million take-private transaction executed with J.W. Childs.

Lehigh Valley Health Network *Allentown, Pennsylvania*

LVHN turned to Shattuck Hammond for assistance in implementing a strategy to focus on its core healthcare businesses. Shattuck Hammond analyzed LVHN's respiratory therapy and related durable medical equipment business and developed a sell-side plan that addressed essential patient needs for the service. Through a controlled auction process the business was sold to American Homecare Supply, a subsidiary of Air Products (NYSE: APD).

Visiting Nurse Service of New York *New York, New York*

Shattuck Hammond has advised VNSNY, the nation's largest nonprofit home care service provider, on three recent acquisitions of hospital-based homecare operations—the largest of which was the purchase of the home care operations of Mount Sinai-NYU Health—and provided fairness opinions to the Board of VNSNY.

The Health Alliance of Greater Cincinnati *Cincinnati, Ohio*

The Alliance, a nonprofit health system, engaged Shattuck Hammond as advisor to explore strategic options for its diagnostic laboratory business, Alliance Laboratory Services. In a transaction closed in January 2004, the business was sold to LabOne (NYSE: LABS).

5 Expert and Experienced Advisor in Managed Care

Strategic Advisory / M&A and Divestiture Advisory / Capital Markets Financings

Shattuck Hammond's expertise covers all sectors of the managed care industry including provider-sponsored, publicly-traded and private equity-backed organizations. Our experience in specialty areas includes Medicaid plans, PPO networks, and vision and dental benefit companies. In managed care, as in other sectors, Shattuck Hammond combines transactional experience with in-depth industry knowledge.

SelectCare *Troy, Michigan*

SelectCare was a Michigan-based managed care plan owned principally by three nonprofit health systems that engaged Shattuck Hammond as financial advisor to sell the business. The plan consisted of approximately 160,000 full-risk members and 140,000 non-risk PPO members. Using a modified auction process, Shattuck Hammond developed a highly structured transaction designed to maximize the value of SelectCare. The plan was sold to two buyers in a single transaction: Health Alliance Plan, which acquired the full-risk business; and PPOM, a subsidiary of Blue Cross Blue Shield of Michigan, which acquired the non-risk business. In addition to the terms of the sale, Shattuck Hammond negotiated a five-year provider contract for each of SelectCare's owners.

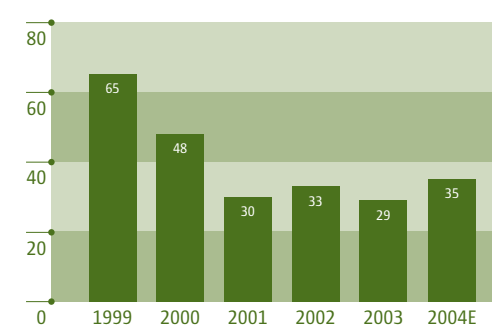
Gateway Health Plan *Pittsburgh, Pennsylvania*

Gateway is a 225,000-member, Pennsylvania Medicaid plan owned by Highmark Blue Cross Blue Shield and Mercy Health System. Gateway engaged Shattuck Hammond to undertake a strategic options assessment to help refine the company's strategic business vision. In this assignment, Shattuck Hammond bankers drew upon their extensive experience with Medicaid plans to analyze Gateway's operations and performance, value the company and review a variety of options for raising capital and undertaking acquisitions.

Health Net *Woodland Hills, California*

Shattuck Hammond Partners has provided investment banking services to Health Net (NYSE: HNT) and its predecessor companies for almost a decade. In that time we have provided advisory services for a wide range of mergers, acquisitions, divestitures, fairness opinions and strategic relationships, and have completed more than a dozen transactions, many involving non-core subsidiaries. Most recently, in a complex series of transactions, we advised Health Net on the sale of its dental and vision subsidiaries to SafeGuard Health Enterprises (NASDAQ: SFGD), negotiated a strategic relationship with SafeGuard for the sale of branded products to Health Net members, and negotiated a similar strategic relationship with EyeMed Vision Care for vision benefit products.

Managed Care M&A Volume: 1999-2004E
Number of Transactions



Source: Irving Levin Associates; Shattuck Hammond estimate.

6 Specialized Financial Advisory Service to Senior Living and Long-Term Care Companies

M&A and Divestiture Advisory / Strategic Capital Plans and Options Assessments / Capital Markets: Bond Underwriting, Financial Advisory and Bond Remarketing

Senior living and long-term care have experienced dramatic changes brought about by fluctuations in reimbursement policies and the economy, innovations in service delivery, and the industry's continuing evolution. Shattuck Hammond bankers have continually developed and refined specialized investment banking services to help nonprofit, private and public organizations in this sector to navigate each business cycle while taking advantage of opportunities to strengthen their business and financial positions. In recognition of Shattuck Hammond's industry expertise, the California HealthCare Foundation engaged Shattuck Hammond to research and publish a comprehensive report assessing the financial health of the California nursing home industry.



Hebrew Rehabilitation Center for Aged Boston, Massachusetts

In addition to housing and inpatient facilities (skilled nursing, continuing care retirement community, rental housing), HRCA is a leading geriatric research and training center affiliated with Harvard Medical School. During the 1980s Shattuck Hammond bankers worked with HRCA to raise capital through two tax-exempt private placements. In the 1990s we served as advisors on a tax-exempt issue to fund the construction of a state-of-the-art continuing care retirement community in Canton, MA. The financing was structured to leverage the creditworthiness of HRCA without having the parent organization be obligated for the debt. Most recently the Board and management of HRCA engaged Shattuck Hammond to prepare a strategic capital plan addressing several major HRCA initiatives.

Hamot Health Foundation Erie, Pennsylvania

Hamot Health Foundation, a diverse health-care system with operations in Ohio, New York and Pennsylvania, decided to focus on its core healthcare mission by divesting its continuing care retirement community facility. Working closely with the Hamot Board, Shattuck Hammond prepared a strategic options assessment of Springhill Senior Living Community, Hamot's combined senior living and nursing care facility. The work included a review of capital requirements on the basis of continued ownership, an analysis of sale options and a valuation analysis. Shattuck Hammond advised Hamot on the subsequent sale of the community to Asbury Services.

Interest Rate Swap and Derivative Products Advisory: Maximizing Value for Clients

Swaps, Derivative Products and Investment Products Advisory and Implementation / Valuation Monitoring and Payment Verification

\$24,585,000 total return swap Phoebe Putney Health System	\$42,000,000 floating-to-fixed interest rate swap The Henry J. Kaiser Family Foundation	\$60,000,000 floating-to-fixed interest rate swap Hawaii Pacific Health	\$103,000,000 floating-to-fixed interest rate swap The Health Alliance of Greater Cincinnati
\$87,495,000 forward starting floating-to-fixed interest rate swap U.S. Pharmacopeial Convention	\$65,000,000 floating-to-fixed interest rate swap Service Employees International Union	\$100,000,000 fixed-to-floating interest rate swap Virginia Hospital Center Arlington	\$28,250,000 total return swap Virginia Mason Medical Center

In the complex and rapidly evolving arena of interest rate swaps and derivative products, Shattuck Hammond serves as trusted advisor to Boards and as an extension of a client's treasury function, providing independent and objective advisory and transactional services to capitalize on market opportunities on the most favorable terms. Fundamental to our approach is Shattuck Hammond's in-depth knowledge of derivative products coupled with a broad client-education program and competitive bid implementation process. With this focus, Shattuck Hammond clients consistently have access to appropriate swaps and derivative products at the best possible pricing.

Expert Advisor to Boards on Swap and Derivatives Policies

Issues of "risk" and "return" associated with the use of interest rate swaps and other derivative products continue to be among the most challenging for Boards of Directors and senior management. Shattuck Hammond regularly serves as independent advisor to clients to assist in setting policy and understanding opportunities to take advantage of innovative capital markets strategies, including those incorporating interest rate swap transactions designed to manage exposure to financial risk. In addition, Shattuck Hammond provides post-closing valuation, payment verification, and hedge effectiveness services to support our clients' swap transactions.

Hawaii Pacific Health Honolulu, Hawaii

Formed through a merger in December 2001, HPH, the largest health system in Hawaii, identified the need for approximately \$60 million of external capital in 2002. Although the tax-exempt market was favorable, HPH was intensely focused on post-merger integration and elected to delay the financing to late 2003. To protect against a rise in interest rates during the delay, HPH engaged Shattuck Hammond to design and implement an interest rate hedging program.

Utilizing long term, forward starting, LIBOR-based swaps, the hedging program was formulated to offset the costs associated with an increase in interest rates in the tax-exempt market with a corresponding increase in swap value. The \$60 million hedging program, completed in 90 days, was competitively bid and dollar-cost-averaged in three \$20 million tranches. The highly correlated transaction resulted in a near-perfect hedge, which also enabled effective hedge accounting treatment for HPH. Subsequently, HPH issued \$80 million in tax-exempt fixed and variable rate bonds in January 2004, restructuring the swap positions to lock in low fixed rates. Shattuck Hammond continues to assist HPH in monitoring the mark-to-market value of the swap positions, verification of payments, and analysis related to accounting treatment for the swaps.

8 Financing and Value Realization for the General Industries Sector

M&A and Divestiture Advisory / Capital Markets Strategies

Shattuck Hammond offers a depth of advisory and transactional expertise for middle market companies, often working closely with owners including families and financial sponsors to meet a range of objectives in growth, value maximization and exit strategies.

Consumer and Industrial Companies

Within this sector, Shattuck Hammond has worked in close collaboration with owners, senior managers and Boards of Directors to understand their objectives and then develop and execute strategies that will meet those goals successfully.

Katy Industries *Rockford, Illinois*

When Katy Industries was recapitalized in June 2001 by a prominent financial sponsor, Shattuck Hammond handled a range of divestiture initiatives to support the sponsor's growth strategy. Shattuck Hammond served as advisor in the LBO sale of Hamilton Precision Metals in October 2002. The sponsor again turned to Shattuck Hammond as advisor in the sale of GC/Waldom in April 2003, and as advisor in a fast-track sale of Duckback Products completed in September 2003.

Folz Vending Company *Oceanside, New York*

Shattuck Hammond represented Folz Vending Company, a family-owned business, in a merger with American Coin Merchandising. As financial advisor, Shattuck Hammond developed a merger opportunity on optimal terms for Folz, maximizing the value of the transaction for the family shareholders.

Erwin Industries *Atlanta, Georgia*

When building products manufacturer Erwin Industries was presented with an opportunity to acquire Plastics Research Corporation, Shattuck Hammond quickly developed an acquisition strategy focusing on the target's working capital accounts while leasing the remaining operational assets. The strategy positioned Erwin to restart production while demonstrating the ongoing viability of PRC to key customers. The transaction was completed in only 58 days.

Financial Institutions and Business Services Companies

Shattuck Hammond handles strategic sales and capital raises that address the regulatory issues, capital needs and value drivers affecting financial institutions and business services companies.

Atlantic Assurance Group *Charlotte, North Carolina*

Shattuck Hammond served as advisor on the sale of Atlantic Assurance Group and its affiliate, Atlantic Title Company. In a strategy designed to meet the needs of the company's nine owner-managers, Shattuck Hammond's aggressive marketing process helped to identify Trans Union Settlement Solutions as a single buyer for both companies.

Partners Equity Capital Company *Horsham, Pennsylvania*

Following an acquisition, Partners Equity Capital Company required additional capital to fuel projected growth. Building on the strength of the management team and company business plan, Shattuck Hammond secured \$35 million of private equity commitments from CIVC Partners, a prominent Chicago-based private equity firm.


GENERAL INDUSTRIES

EDUCATION AND SPECIALTY NONPROFIT

\$500,000,000

Howard Hughes Medical Institute


Revenue Bonds



\$130,000,000

RAND Corporation


Revenue Bonds



\$42,000,000

The Henry J. Kaiser Family Foundation

Revenue Bonds



Meeting the Needs of Specialty Nonprofit Organizations

Strategic Capital Planning / Credit and Financial Advisory Services / Bond Underwriting and www.shattuckhammondauction.com

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Specialty nonprofit organizations often face unique challenges in capital planning and financing transactions because, in many instances, they do not have a traditional credit history or revenue stream. Their credit strength is typically based on endowment funds, while revenue is often based on unique revenue streams, discretionary contributions or government contracts. These organizations are also often first-time or infrequent borrowers in the capital markets.

For many leading specialty nonprofits, Shattuck Hammond has identified innovative capital markets strategies that use the distinctive qualities of these organizations to their fullest advantage. We offer one of the industry's most experienced teams of specialist bankers who succeed in using non-traditional credit and revenue streams to meet diverse financial and business objectives.

Howard Hughes Medical Institute *Bethesda, Maryland*

With more than \$10 billion in investment assets, HMMI is one of the largest scientific and philanthropic nonprofit organizations in the nation. Shattuck Hammond bankers have worked with HMMI for more than a decade, having served as underwriter/remarketing agent for its first financing, a \$75 million bond issue for its Maryland headquarters in 1990. More recently, as financial advisor for \$500 million of multi-modal variable rate bonds, Shattuck Hammond developed and recommended an innovative structure that incorporated six separate tranches—three in the daily mode and three in the weekly mode. This structure guaranteed a higher level of competitive pressure in rate setting among participating underwriters, resulting in significantly decreased borrowing costs over the term of the issue.

The optimal choice for specialty nonprofits:

Academy of Motion Picture Arts and Sciences
 American Association of Colleges for Teacher Education
 American College of Obstetricians and Gynecologists
 Association of American Medical Colleges
 The Bullis School
 Cardiovascular Research Foundation
 Carnegie Endowment for International Peace
 Educational Testing Service
 Human Rights Campaign
 Institute for Defense Analyses
 National Academy of Sciences
 Protestant Episcopal Cathedral Foundation
 Service Employees International Union
 U.S. Pharmacopeial Convention
 World Wildlife Fund

Gonzaga College High School *Washington, D.C.*

Shattuck Hammond worked with the Board and Management of Gonzaga College High School, a Washington, D.C.-based Catholic college preparatory school, in the development of a three-phase plan to address a range of capital and renovation needs. During the first phase involving extensive renovation of two classroom buildings, Shattuck Hammond prepared a 10-year financial forecast that integrated the proceeds from a major capital campaign with proposed debt amounts to determine prudent debt capacity parameters. The plan was then used by Shattuck Hammond to secure the school's first investment grade rating of "BBB" from Standard & Poor's and also to secure low-cost municipal bond insurance for the issue of fixed-rate Series 1999 Bonds. Shattuck Hammond then assisted Gonzaga in issuing its Series 2002 Bonds to fund the second phase of the project involving extensive renovations to school facilities.

The healthcare and pharmaceutical distribution industry embraces a range of enterprises as diverse as institutional pharmacies and mail-order pharmacies, infusion services, pharmacy benefits managers, and contract packaging and logistics companies. A continued emphasis on cost efficiencies and enhanced value within the healthcare industry has resulted in an increased level of consolidation and capital transactions in this sector. Shattuck Hammond bankers have a high level of expertise across the sector and combine that with experience in M&A and capital raising to design and execute transactions for clients such as:

Medistat Pharmacy Services
Ft. Lauderdale, Florida

For Medistat Pharmacy Services, the leading independent provider of institutional pharmacy services in Florida, Shattuck Hammond acted as exclusive financial advisor in the sale of the company. Through a controlled auction process the company was sold to Omnicare (NYSE: OCR), the nation's leading publicly-traded institutional pharmacy services provider.

Documedics San Bruno, California

Documedics was a leading consulting company providing reimbursement services to pharmaceutical manufacturers. The company focused mainly on high-cost drug therapies with complex reimbursement issues, while also providing reimbursement consulting to pharmaceutical companies for new drug introductions. Shattuck Hammond acted as exclusive financial advisor to Documedics in the sale of the company to U.S. Bioservices, a national pharmaceutical services provider focused on the management of high-cost, complex therapies and reimbursement support. U.S. Bioservices was later acquired by AmerisourceBergen (NYSE: ABC), the largest pharmaceutical services company in the United States.

Span Contract Packaging
Greenville, South Carolina

Span Contract Packaging, a leading provider of high-quality contract packaging services to the pharmaceutical, consumer products, healthcare, cosmetic and nutraceutical industries, was acquired by Cloud Packaging Solutions, the industry leader in contract packaging services for the consumable and soluble products industries. Shattuck Hammond contacted potential financial and strategic purchasers and arranged a sale to Cloud through a controlled competitive process that provided optimal value for Span shareholders.

Prime Therapeutics Egan, Minnesota

Shattuck Hammond advised Blue Cross and Blue Shield of Minnesota and BlueCross BlueShield of Nebraska in the creation of a pharmacy benefits manager through the merger of two BCBS business lines to form Prime Therapeutics. Shattuck Hammond has subsequently advised Prime Therapeutics on the sale of equity interests to other Blue Cross plans and on a strategy of growth through selected acquisitions.

In the current market environment, many organizations are considering new capital markets opportunities based on real estate holdings. The real estate specialists at Shattuck Hammond are expert at developing financing options and other strategies that unlock the full value of real estate assets as a component of long-term capital planning and asset allocation and have developed a proprietary Real Estate Transaction Alternatives Study process for our clients.

Rush-Copley Medical Center
Aurora, Illinois

For Rush-Copley Medical Center, Shattuck Hammond recommended the sale of a 180,000-square foot health facility and office building to monetize a non-core real estate asset to generate cash. Rush-Copley chose to retain ownership of the fitness center while divesting the medical office building component. Shattuck Hammond structured a deal using a vertical subdivision more commonly applied to multiple dwelling land transactions, and was also instrumental in developing the space lease, cross-easement agreement and deed restrictions with control provisions to assure that future uses would comply with Rush-Copley's mission.

B/E Aerospace
Wellington, Florida

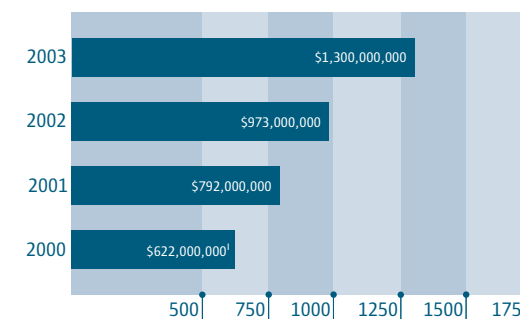
B/E Aerospace (NYSE: BEAV), the world's leading manufacturer of cabin interior products for passenger aircraft, engaged Shattuck Hammond as advisor for the sale/leaseback of four office/industrial facilities. The portfolio consisted of 629,000 square feet, fully occupied by B/E Aerospace, located in four states and facing environmental contamination issues. The sale was scheduled for shortly after September 11, 2001, a less-than-optimal time for the aerospace industry. Shattuck

Hammond structured leaseback arrangements tailored to each property, and aggressively and broadly marketed the opportunity to appropriate investors nationwide.

Swedish Health Services
Seattle, Washington

Swedish Health Services, the largest nonprofit health provider in the Pacific Northwest and owner of three large Seattle hospitals, chose Shattuck Hammond Partners to manage the sale of five medical office buildings and three parking garages. Swedish plans to invest the sale proceeds, which are expected to exceed \$100 million, in developing clinical programs, acquiring new medical technology, replacing older buildings and equipment, and facilities expansion. Swedish sought buyers who had experience with healthcare tenants. Shattuck Hammond identified more than 40 qualified potential purchasers and quickly received indications of initial interest from 16 parties.

Growing Focus on Monetizing Real Estate Assets
Medical Office Building Sales, in millions



1. annualized, two quarters actual.

Shattuck Hammond Partners: The choice in real estate investment banking

- Buying and selling real estate assets and portfolios
- Debt and equity capital markets activities
- Mergers & acquisitions for real estate-related or real estate-intensive companies

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*Shattuck Hammond Partners LLC is a member
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The Shattuck Hammond Partners Strategic Advisory Board includes industry leaders who offer perspectives and insights that continually position us to meet the evolving capital needs of healthcare organizations operating in a dynamic market environment.

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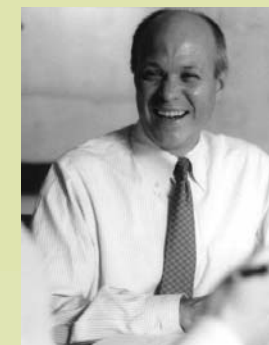
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