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HAWAII MEDICAL CENTER EMERGES FROM BANKRUPTCY

HONOLULU (August 19, 2010) — Hawaii Medical Center, which operates hospitals in Liliha and 'Ewa, has emerged from Chapter 11 bankruptcy reorganization. The emergence, which officially took place on Tuesday, enables the hospital system to move forward more vigorously on initiatives it had begun to pursue while under bankruptcy protection.

“With bankruptcy behind us, we can now focus on the real work of rebuilding our core specialty areas and expanding services to more strongly address specific community needs,” said Salim Hasham. Newly appointed as chief executive officer of Hawaii Medical Center, Hasham previously served for 15 months as chief operations and restructuring officer.

Among the hospitals' core specialties are transplant surgeries and services, surgery on liver and thoracic tumors and skilled nursing. “We’ve made tremendous progress in our reorganization efforts and will leverage this momentum to strengthen the long-term viability of the hospitals, reinforce our alliances with our physicians and St. Francis Healthcare System, and build new alliances,” Hasham said.

On May 26, the U.S. Bankruptcy Court approved a joint reorganization plan filed by HMC, its unsecured creditors and physician shareholders, clearing the way for HMC East and HMC West to operate as not-for-profit hospitals and to implement charity care and financial aid policies. A key initiative already underway is to work collaboratively with other medical institutions to improve and expand the delivery of medical services to residents.

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HMC filed for bankruptcy in August 2008, a little over a year after acquiring the hospitals from St. Francis Healthcare System. The filing was prompted by an HMC lender's refusal to extend existing loan agreements, which could have led to a liquidity crisis and forced shutdown of the hospitals. HMC sought bankruptcy protection to continue operating the hospitals and providing care to patients. At the same time, HMC made numerous operational changes that have resulted in cost savings, improved efficiencies and positive and consistent financial performance.

"We've worked hard to restore the financial health of the hospitals and ensure that they are viable for the long term," said Hasham. "We've been able to take the best elements of the for-profit model and applied them to our non-profit status." Under the court-approved plan, HMC will pay \$46 million owed to St. Francis over seven years and \$21 million to unsecured creditors over 14 years. On Tuesday, HMC paid its first installment of \$5.7 million to St. Francis. HMC had earlier paid St. Francis \$1.7 million.

HMC will be also work closely with St. Francis to develop programs that address the population's long-term care needs.

"We look forward to collaborating with HMC and being able to take full advantage of our services and facilities to help the community and strengthen the viability of both institutions," said Sister Agnelle Ching, St. Francis Healthcare System chief executive officer.

About Hawaii Medical Center

Hawaii Medical Center is a full-service, acute and tertiary-care hospital system on Oahu. Its two campuses – Hawaii Medical Center East and Hawaii Medical Center West – are respectively located just north of downtown Honolulu in Liliha; and at the gateway to the island's rapidly growing western region in 'Ewa. HMC West provides comprehensive general hospital care and primarily serves the nearly 160,000 residents of Leeward Oahu and the Waianae Coast. HMC East is designed to service physician specialty referrals and includes the Transplant Center of the Pacific, the Liver Center, the Thoracic Tumor Clinic, and a skilled nursing facility.

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