

## GENERAL NOTICE TO CREDITORS

March 5, 2001

Re: Prince George=s County, Maryland Hospital Revenue Bonds (Dimensions Health Corporation Issue), Series 1992, CUSIP 741710 AJ6, AG2

Prince George=s County, Maryland Project and Refunding Revenue Bonds (Dimensions Health Corporation Issue), Series 1994, CUSIP 741724 AU2, AV0, AW8, AX6, AY4, AZ1, BA5, BB3, BC1 and BD9

Dimensions Health Corporation Flexible Term Notes, Series A

Bowie Assisted Living, L.L.C. Taxable Variable Rate Demand Bonds, Series 1997, CUSIP 10240NAA6

Certain Agreements with Commercial Banks

**DIMENSIONS HEALTH CORPORATION**, a Maryland not-for-profit corporation, provides the following notice.

**Credit Rating Downgrade.** Moody=s Investors Service downgraded the bond ratings affecting the above-referenced Prince George=s County Series 1992 and 1994 Bond issues on February 23, 2001 to B3 from Ba3 and placed the ratings on its WatchList for possible further downgrade. These Bond issues are also rated B+ by Fitch IBCA, Inc.

**Events of Default.** Dimensions has failed to comply with covenants in certain agreements with commercial banks to pledge collateral, maintain specified unencumbered liquid assets and maintain specified credit ratings. These defaults constitute an Event of Default with respect to all of the above-referenced debt issued or guaranteed by Dimensions and, by virtue of cross-default provisions, under Dimensions= Master Trust Indenture dated as of June 1, 1992, as supplemented, with Allfirst Bank, a Maryland state-chartered commercial bank, as Master Trustee. Dimensions is in discussions with its creditors seeking continued forbearance from remedies, and waivers, as to these defaulted covenants. Management of Dimensions has informed Dimensions= creditors that Dimensions does not presently intend to transfer in the foreseeable future \$1,300,000 of cash collateral covenanted to be transferred no later than December 31, 2000 and \$3,000,000 of cash collateral covenanted to be transferred no later than March 31, 2001, to and among two commercial banks.

**Cash.** At February 26, 2001 Dimensions and its affiliates on a consolidated basis retained free cash in the approximate amount of \$5.25 million, and Dimensions Health Corporation (the Obligated Group Member under the Master Trust Indenture) retained approximately \$3.0 million of free cash, which represents approximately five days of cash on hand. Management expects, subject to significant contingencies including without limitation the collectability of increased revenue billed over the past three months, expenses not exceeding the projected levels and successful implementation of the initial

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phases of the cash acceleration initiative described below, that approximately the same levels of free cash will be maintained at Dimensions= June 30, 2001 fiscal year end. Dimensions continues to pay all its debt holders, vendors and employees as such payments come due.

**Budget.** Dimensions and its affiliates on a consolidated basis project concluding the fiscal year 2001 with a \$7.2 million loss (prior to possible receipt of requested State and County assistance). The realization of this projection is subject certain risks, including achievement of anticipated volumes, no additional increase in malpractice claims severity and no further adverse development in the agency staffing needs.

**Requested State and County Assistance.** Management is engaged in discussions with officials of the State of Maryland and Prince George=s County regarding the provision of certain financial assistance in this and future fiscal years. Management cautiously expects to receive \$6.0 million during Dimensions= fiscal year 2001 and an unspecified additional amount in fiscal year 2002. However, neither a formal nor a final decision by the State or the County has been made, such that there is currently no assurance State and/or County assistance will be available.

**Management Operations Initiatives.** Management is developing and implementing operational initiatives to improve its financial performance. These initiatives include a proposed consolidation of Dimensions and Prince George=s County obstetrical/gynecological services, an aggressive recruitment and retention program aimed at stabilizing and reducing the need for agency staff, relocation of corporate offices to eliminate the cost of separate, leased office space, and a restructuring of nutrition services, complemented by various revenue enhancements.

**Consultant.** Dimensions has engaged Cap Gemini Ernst & Young, initially to assist in the identification and implementation of improvements in the areas of cash collection, utilization management and supply chain efficiency, with an expansion of the scope of engagement being under discussion. The initial identification phase is scheduled to be completed prior to April 1, 2001, with the subsequent implementation phase beginning in early April 2001 and continuing for a period of 12-18 months. Cap Gemini Ernst & Young will assist Dimensions throughout both phases. Any expansion in the scope of services will be incorporated into the time frames of the existing engagement.

**Caution: Forward-looking Information.** This Notice contains forward-looking information which is based upon management=s evaluation of current trends and expected events. Future events will vary from management=s expectations, due to many factors, only certain of which are anticipated by this Notice. There is no assurance that expected results will be realized.

**Further Information.** Further information may be obtained from Mr. Noel A. Cervino, Senior Vice President and Chief Financial Officer, Dimensions Health Corporation, 9200 Basil Court, Suite 500, Largo, MD 20774; Telephone (301) 925-7000.

DIMENSIONS HEALTH CORPORATION

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Noel A. Cervino, Senior Vice President and CFO