



**Avigdor Kaplan, PhD**  
Director General

February 13, 2014

Dearest Friends,

Since I began my position as Director General of the Hadassah Medical Organization (HMO), some eight months ago, I have divided my time between managing HMO's daily activities and addressing the serious financial crisis facing our hospitals. During this time, I have had to cope with a huge cumulative deficit and a substantial annual operational deficit, while developing, together with the Government of Israel, Hadassah, the Women's Zionist Organization of America (HWZOA), and our dedicated employees, a long-term viable recovery plan for our magnificent institution.

Along with lasting financial stability, our guiding principle has been that it is essential to ensure that HMO continues to be the leading medical center of Jerusalem and the State of Israel - that we remain a world recognized center for outstanding clinical care, pace-setting research and excellent education of the future medical professionals of our country.

You, our donors are an integral part of Hadassah and vital stakeholders in our future. Throughout these difficult months, I have been truly touched by your support and partnership, and I know that you share our vision of continued excellence for our hospitals.

While developing and negotiating the recovery plan, I did everything that I possibly could, with the assistance of the Government and HWZOA, to have sufficient financial resources so that our hospitals could continue to function normally, so that we could continue to treat our patients with the expertise and care they deserve and so that we continue to pay our staff and suppliers.

With the assistance of our management team and the goal of maximizing efficiency, I spent a significant amount of time reorganizing HMO. As part of this course of action, we updated work procedures, replaced senior managers and initiated the process of reduction of staff. We analyzed costs and re-priced medical and surgical procedures, and most importantly, made financial order - fully separating our daily operating funds from all designated donations and research grants.

All of these measures have begun to show positive cash-flow signs. Yet, these internal steps alone, as we knew from the onset, are not enough to get HMO back on solid footing. Recently an outline of a comprehensive recovery plan was agreed upon with the Government, according to which HMO would receive unprecedented support from both the State and from HWZOA.



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The recovery plan has elements within it that need to be agreed upon with our employees and their unions. Throughout this entire period we held intensive negotiations with the doctors' and nurses' unions. Their responsible attitude and willingness to make concessions to save HMO, led to agreement on many issues. However, there are still substantial gaps that need to be bridged in the very near future, and negotiations with the administrative workers' union have thus far been unsuccessful.

Before being able to overcome these hurdles, during the course of the last month, all temporary arrangements for financing ended and the banks reduced our lines of credit. We were at risk of not being able to operate the hospitals. Indeed, we were able to pay the majority of our staff only 50 percent of their salaries at the beginning of the month.

Last week, our doctors launched a strike. Their aim is to put pressure on the Government to raise its share towards the recovery. The nurses and administrative employees have since joined the strike.

To safeguard the hospitals and prevent HMO from going into liquidation - and to have more time to reach an agreed upon plan - HMO had no choice but to apply to the Court for a relief under Section 350 of Israeli Companies Law, called "Stay of Proceedings" (the Israeli equivalent of the U.S. Chapter 11). This past Friday we filed in Court an application for Stay of Proceedings for a period of 90 days. To our request we attached an agreement according to which the Government and HWZOA will together finance HMO, in equal amounts, providing us sufficient sums for the ongoing operation of the hospitals.

The Stay of Proceedings was approved by Court this Tuesday. It includes the appointment of two attorneys as the Court appointed representatives (Trustees) for the period of the 90 days. They have been charged with the job of working with me as Director General, and HMO Management, to prepare a recovery plan and a scheme of creditors' agreement. The Trustees will accompany me and my management team in negotiations with the unions and in fulfilling our obligations, all the while aiming to resume full operation of the hospitals. They will also represent HMO in Court. The Judge, in his decision, clarified that the Trustees will have no managerial authority over HMO and all management authority shall remain in the hands of the present Director General and HMO management.

**Hadassah University Hospitals**  
Office of the Director General



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I have appealed to the Doctors and Nurses to end the strike. I have also called upon all of the unions to return to the negotiating table. Stay of Proceedings is not a substitute for reaching a recovery agreement between the parties: the employees, the Government and HWZOA. We cannot waste even one day of the 90-day period awarded to us.

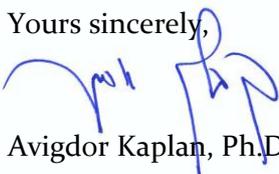
**It is important for me to assure and reassure you, dear friends, that during this time, all donations that you generously contribute to HMO will be used solely for the purposes for which they are given. This is something that all parties have agreed to, including the Court appointed Trustees.**

**We have also agreed that construction of the Sarah Wetsman Davidson Hospital Tower shall continue during this period.** Amidst all that is going on, we adhered to our schedule of move of departments into the Tower. Two weeks ago the Department of Neurology and earlier this week the Departments of Neurosurgery and Cardio-Thoracic Surgery, along with their respective Intensive Care Units, moved into the Tower.

My ultimate goal and that of all my colleagues at HMO, as well of course as HWZOA, is to maintain the unique character of our Medical Center; continuing to combine the wonderful synergy of research, clinical services and teaching; continuing to develop our many Centers of Excellence to even better serve our patient population. I am convinced that we will overcome the current crisis, and I truly believe that we will emerge with an even stronger Hadassah, one that will continue to be a national asset and one of the finest medical institutions in Israel and in the world.

I thank you for your friendship and support at this most critical time.

Yours sincerely,



Avigdor Kaplan, Ph.D.  
Director General