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11 **UNITED STATES BANKRUPTCY COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA**  
13 **LOS ANGELES DIVISION**

14 In re

15 DOWNEY REGIONAL MEDICAL  
16 CENTER-HOSPITAL, INC., a California  
17 non-profit public benefit corporation,

18 Debtor

19 Tax I.D. 95-1903935

20 Case No.: 09-bk-34714-BB

21 Chapter 11

22 **FOURTH AMENDED CHAPTER 11 PLAN OF**  
23 **REORGANIZATION PROPOSED BY**  
24 **DOWNEY REGIONAL MEDICAL CENTER-**  
25 **HOSPITAL, INC. (DATED AUGUST 23, 2011)**

26 **Disclosure Statement Hearing**

27 DATE: April 19, 2011  
28 TIME: 10:00 a.m.  
CTRM: Courtroom: 1475  
United States Bankruptcy Court  
255 E. Temple Street  
Los Angeles, CA 90012

**Plan Confirmation Hearing**  
**See Disclosure Statement for**  
**Voting and Objecting Procedures**

DATE: October 27, 2011  
TIME: 10:00 a.m.  
CTRM: Courtroom: 1475  
United States Bankruptcy Court  
255 E. Temple Street  
Los Angeles, CA 90012

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1 **I. INTRODUCTION**

2 Downey Regional Medical Center-Hospital, Inc. (the “**Debtor**”), is the debtor in a  
3 Chapter 11 bankruptcy case. On September 14, 2009, Debtor commenced a bankruptcy case by  
4 filing a voluntary Chapter 11 petition under the United States Bankruptcy Code. Debtor operates  
5 a nonprofit general acute care and teaching hospital licensed for 199 beds located in Downey,  
6 California (the “**Hospital**”). This document is the Chapter 11 Plan (“**Plan**”) proposed by Debtor.  
7 Sent to you in the same envelope as this document is the Disclosure Statement that has been  
8 approved by the Court, and that is provided to help you understand the Plan.

9 This is a reorganization plan that provides for the emergence of Debtor as a Reorganized  
10 Debtor that will continue to operate the Hospital as an independent, not-for-profit general acute  
11 care hospital (the “**Standalone Alternative**”). Debtor seeks to accomplish payments to its  
12 creditors under this Plan by (i) paying the Bond Claims in full on the Effective Date,  
13 (ii) obtaining additional exit funding to pay administrative and priority claims and provide  
14 working capital, and (iii) repaying unsecured debt in substantial part over a period of time from  
15 funds generated from the future operations of the Hospital. The Effective Date of this proposed  
16 Plan is expected to be November 11, 2011.

17 To implement the Plan, Debtor proposes to obtain financing through an accounts  
18 receivable loan and the sale of bonds to refinance existing secured and administrative priority  
19 debt and provide for working capital. The Exit Funding will consist of (a) municipal bond  
20 financing to be provided by RCB in the gross amount of up to \$36.85 million (but with net  
21 proceeds of approximately \$29 million after accounting for reserves), to be secured by a first lien  
22 on substantially all of Debtor’s assets other than the Dolan Property, except that RCB’s interest  
23 in Debtor’s accounts receivable and related collateral will be junior to the separate \$20 million  
24 A/R Loan to be entered into with MidCap; and (b) a \$20 million revolving line of credit to be  
25 provided by DIP Lender MidCap, to be secured by a first lien on Debtor’s accounts receivable  
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28

1 and related collateral, and a second lien on substantially all of Debtor's other assets.<sup>1</sup> As of  
2 June 1, 2011, Debtor has binding commitments from both RCB and MidCap for their respective  
3 tranches of the Exit Funding, with final terms currently being negotiated and documented by  
4 Debtor, RCB and MidCap, subject to appropriate documentation satisfactory to Wells Fargo and  
5 the Majority Beneficial Holder. Debtor filed motions for approval of the binding terms of the  
6 Exit Funding commitments that were granted at a hearing held on July 13, 2011. Motions for  
7 final approval of the Exit Funding will be filed and heard with the Plan at the Confirmation  
8 Hearing.

9 The Exit Funding should be sufficient to make the Effective Date Payments (as defined  
10 below), as well as provide working capital of at least \$10 million. The Bond Claims and  
11 Administrative Claims will be paid in full on the Effective Date from the Exit Funding. Claims  
12 of \$10,000 or less (or those creditors who elect to have their Claims treated in Class 4) will be  
13 paid 50% of the Allowed amount on the Effective Date. An initial payment will be made on the  
14 Class 2B Apollo Claim, the balance of which will be paid in installments, and secured by the  
15 Dolan Property and a junior lien in accounts receivable. The Installment Plan Payments to  
16 General Unsecured Creditors in Classes 5, 5A and 6 and the Additional Plan Payments (if any) to  
17 General Unsecured Creditors in Classes 5, 5A and 6 of up to the full balance of the Allowed  
18 amount of their Claims if the Hospital exceeds its financial projections and generates a surplus as  
19 described below, will be funded from funds generated from the future operations of the Hospital  
20 over a period of nine years, after allowing for prudent reserves to retire the post-confirmation  
21 secured debt, pay for capital expenditures, and provide for future construction of a new nursing  
22 tower, among other needs.

23 As set forth in the Disclosure Statement, during the Case, Debtor extensively explored  
24 alternatives to the Standalone Alternative, including the possibility of entering into a transaction  
25

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26 <sup>1</sup> The term sheet for the A/R Loan also provides for a first lien in favor of MidCap on the equity of  
27 reorganized Debtor and parent entity Downey Regional Medical Center, Inc. Following further negotiations among  
28 Debtor, MidCap and RCB, MidCap has agreed not to require this pledge as part of its collateral.

1 to be acquired by or affiliate with other hospital groups who have been Potential Bidders.  
2 However, Debtor is proposing this Plan based upon the Standalone Alternative because it  
3 provides for a significantly higher return for unsecured creditors than any of the other offers  
4 received by Debtor. In the event that the expected Exit Funding does not close or one of the  
5 Potential Bidders improves its bid to be competitive with the Standalone Alternative, Debtor  
6 reserves the right to amend the Plan to provide for the sale of substantially all of the Hospital's  
7 assets or other transfer to a third party. Any such Transaction would be premised upon (a) the  
8 continued operation of the Hospital as a general acute care hospital with an emergency room,  
9 (b) the same classification of claims as set forth in this Plan, (c) the same general type of  
10 treatment of claims, (d) similarly structured exit financing, perhaps with a capital contribution,  
11 and (e) a motion to approve the Transaction to be heard in conjunction with the confirmation of  
12 the Plan. Depending upon the terms of the proposed Transaction, the Court may require further  
13 notice of any such amendments before voting and confirmation of the Plan.

14 **A. Statement of Support by the Creditors' Committee**

15 The Creditors' Committee, which represents the interests of all unsecured creditors in  
16 Debtor's Case, recommends that you vote **FOR** the Plan by checking the box on your official  
17 Ballot that says:

18 **The undersigned ACCEPTS THE PLAN.**

19 and returning your Ballot in accordance with the voting instructions described in the Ballot and  
20 the voting procedures order accompanying this Disclosure Statement.

21 The Creditors' Committee has played an active role in this Case in an effort to obtain the  
22 best possible recovery for the claims of unsecured creditors. The Plan is the product of intense  
23 negotiations between the Creditors' Committee, Debtor, and other parties. Under the facts and  
24 circumstances of this Case, the Creditors' Committee believes that the Plan provides the best  
25 recovery for unsecured creditors as a whole and that acceptance of the Plan will expedite  
26 distributions to general unsecured creditors.

1 **II. DEFINITIONS AND RULES OF CONSTRUCTION**

2 **A. Definitions.**

3 In addition to such other terms as are defined elsewhere in the Plan, the following  
4 terms (which appear in the Plan as capitalized terms) have the following meanings as used in the  
5 Plan:

6 **“503(b)(9) Bar Date”** means December 1, 2009, which was established by the Court as  
7 the deadline to file requests for allowance of 503(b)(9) Claims.

8 **“503(b)(9) Claim”** means an Administrative Expense Claim arising under Bankruptcy  
9 Code § 503(b)(9).

10 **“Accrued General Administrative Expenses”** means Administrative Expense Claims  
11 arising from the general operations of the Hospital during the Case that are outstanding as of the  
12 Effective Date; excludes Professional Fee Claims.

13 **“Additional Plan Payments”** means payments of interest and principal to be made to  
14 holders of Allowed Claims in Classes 5, 5A and 6 that are in addition to the Initial Distribution  
15 and the Installment Plan Payments.

16 **“Administrative Expense Claim”** means a Claim for administrative costs or expenses  
17 entitled to priority under Bankruptcy Code § 507(a)(2) or (b).

18 **“Acquired Assets”** means, in the event of a Transaction, all assets of Debtor and the  
19 Estate acquired by Buyer.

20 **“Affiliate Lien”** means the first priority mortgage, lien and security interest in all real  
21 and personal property interests held by DRMC Properties granted to Wells Fargo pursuant to the  
22 HFG Cash Collateral Orders and the MidCap Cash Collateral Order.

23 **“Affiliated Transactions”** means transactions among Parent, Buyer, DRMC Properties,  
24 or DRMC Memorial Foundation, pursuant to which Buyer acquires various assets from Debtor’s  
25 affiliates if Debtor elects to proceed with a Transaction.

26 **“AG Consent”** means such approval by the California Attorney General as may be  
27 required for the Plan, or a Transaction, if applicable.

1           **“Aggregate Additional Plan Payments”** has the meaning provided in Section III.D.8  
2 below.

3           **“Alliance”** means Alliance Physicians Medical Group.

4           **“Allowed Administrative Expense Claim”** means an Administrative Expense Claim  
5 that is allowed.

6           **“Allowed Claim”** means a Claim, other than an Administrative Expense Claim, to  
7 the extent that:

8           (a)       Either: (1) a proof of Claim was timely Filed; or (2) a proof of Claim or  
9 proof of Interest is deemed timely Filed either under Bankruptcy Rule 3003(b)(1)-(2) or by a  
10 Final Order; or (3) a proof of Claim was not timely filed; and

11           (b)       Either: (1) the Claim is not a Disputed Claim; or (2) the Claim is allowed  
12 by a Final Order or under the Plan.

13           Unless otherwise specified in the Plan, an Allowed Claim does not include interest on  
14 the Claim accruing after Petition Date. Moreover, all or any portion of a Claim that is  
15 satisfied or released during the Case is not an Allowed Claim.

16           **“Ancillary Buildings”** means the buildings located adjacent to the Hospital that are  
17 owned by DRMC Properties and are generally known as the Rehab Building and storage  
18 shed, located at 11420 Brookshire Ave., Downey, CA 90241.

19           **“Apollo”** means Apollo Health Street, Inc.

20           **“Apollo Settlement”** means that certain settlement agreement entered into by Debtor  
21 and Apollo as of March 30, 2009 regarding termination of the parties’ contract and payment  
22 by Debtor of approximately \$2.3 million to resolve disputes about amounts due to Apollo.  
23 Approximately \$1.2 million of the settlement remained unpaid as of Petition Date.

24           **“AppleCare”** means AppleCare Independent Physicians’ Association.

25           **“A/R Loan”** means a \$20 million revolving line of credit to be secured by (i) a first  
26 lien on Debtor’s accounts receivable and related collateral; and (ii) a second lien on  
27 substantially all of Debtor’s other assets, but excluding the Dolan Property, on which  
28



1 MidCap will have no lien. The A/R Loan is currently contemplated as being provided by  
2 MidCap, Debtor's DIP Lender, as part of the Exit Funding. Debtor and MidCap entered into  
3 a binding commitment with respect to certain terms of the A/R Loan on May 26, 2011.

4 A copy of the commitment with respect to the A/R Loan is attached to the Disclosure  
5 Statement as Exhibit 6. Final approval of the A/R Loan (other than the binding provisions  
6 approved on July 13, 2011) will be the subject of a separate motion for approval that will  
7 provide the details of the terms of the financing, to be heard at or before the Confirmation  
8 Hearing.

9 **"Asset Purchase Agreement"** means, in the event of a Transaction, the agreement  
10 among Debtor, its Parent, and Buyer regarding the Transaction.

11 **"Assumed Employee PTO Claims"** means PTO Claims for retained employees that  
12 are assumed by Reorganized Debtor. In the event of a Transaction, this term shall refer to  
13 PTO Claims that are "grandfathered" into Buyer's human resources system for Debtor's  
14 employees in good standing who are hired by Buyer.

15 **"Assumption Schedule Filing Date"** means September 22, 2011.

16 **"Avoidance Actions"** mean the causes of action held by Debtor or the Estate that  
17 arise out of Bankruptcy Code §§ 510, 542, 544, 547, 548, 549, 550, 551, and 553. All  
18 Avoidance Actions shall be deemed waived and released when the Plan becomes Effective.

19 **"Attorney General"** means the Attorney General of the State of California.

20 **"Ballot"** means the ballot to vote to accept or reject the Plan.

21 **"Ballot Tabulator"** means Omni Management Group, Debtor's claims agent, or any  
22 other person or entity designated by Debtor to tabulate ballots.

23 **"Ballot Deadline"** means the deadline established by the Court for the delivery of  
24 executed Ballots to the Ballot Tabulator.

25 **"Bankruptcy Code"** or **"Code"** means Title 11 of the United States Code, 11 U.S.C.  
26 §§ 101 et seq.

1           **“Bankruptcy Court”** or **“Court”** means the United States Bankruptcy Court for the  
2 Central District of California, Los Angeles Division, or any other court that exercises  
3 jurisdiction over the Case.

4           **“Bankruptcy Rules”** means, collectively, (a) the Federal Rules of Bankruptcy  
5 Procedure and (b) the Local Rules of the Bankruptcy Court, as applicable in the Case.

6           **“Bonds”** means California Health Facilities Financing Authority Hospital Revenue  
7 Bonds (Downey Community Hospital), Series 1993 in the original principal amount of  
8 \$68,845,000.

9           **“Bond Claims”** means any and all amounts owed under the Bond Documents as of  
10 the Effective Date.

11           **“Bond Documents”** means the loan agreement, Indenture and other documents  
12 relating to the Bonds, including, but not limited to the HFG Cash Collateral Orders and the  
13 MidCap Cash Collateral Order.

14           **“Bond Funds”** means collectively, the Bond Reserve Account and other funds  
15 related to the Bonds as described more fully in the HFG Cash Collateral Orders and the  
16 MidCap Cash Collateral Order. As of the Effective Date, the balance of the Bond Funds is  
17 estimated to be approximately \$7.27 million.

18           **“Business Day”** means a day that is not a Saturday, Sunday, or legal holiday.

19           **“Buyer”** means, in the event of a Transaction, the entity that will acquire the assets of  
20 the Hospital or by member substitution take control of Debtor and continue to operate a  
21 general acute care charitable hospital at the Hospital’s facilities after the Effective Date.

22           **“Capitation Provider”** means a third party provider of medical services to a patient  
23 who was insured under Debtor’s former capitation contracts with physician groups and health  
24 plans.

25           **“Capitation Provider Claim”** means a Claim made by a Capitation Provider  
26 pursuant to a capitation agreement with Debtor.

27           **“Case”** means Debtor’s case under chapter 11 of the Bankruptcy Code.

1           “**CHFFA**” means the California Health Facilities Financing Authority.

2           “**City Lease**” means that certain ground lease dated February 8, 1983 between  
3 Debtor and the City of Downey for the parcel located at 11500 Brookshire Avenue, Downey,  
4 California, on which Debtor has constructed the Hospital Facility.

5           “**Claim**” means a claim — as Bankruptcy Code § 101(5) defines the term “claim” —  
6 against Debtor or Debtor’s property.

7           “**Claims Objection Deadline**” means the deadline set forth in Section III.F. for  
8 objections to Claims.

9           “**Class**” means a group of Claims that are substantially similar in nature.

10           “**Class 5 Claim**” means a General Unsecured Claim that is not a Convenience Class  
11 Claim, a Health Plan Loan Claim, an Assumed Employee PTO Claim, or a Risk-Share  
12 Claim.

13           “**Confirmation Date**” means the date of entry of the Confirmation Order.

14           “**Confirmation Documents**” means the briefs, memoranda, declarations, and other  
15 writings and evidence submitted by Debtor (and in the event of a Transaction, Buyer or Buyer)  
16 in support of confirmation of the Plan.

17           “**Confirmation Hearing**” means the hearing by the Court on confirmation of the Plan,  
18 and in the event of a Transaction, to approve the sale of substantially all of Debtor’s assets to  
19 Buyer.

20           “**Confirmation Order**” means the Court order confirming the Plan and approving the  
21 Transaction.

22           “**Convenience Class**” means the class of General Unsecured Claims that are either less  
23 than or equal to \$10,000, or if the claim amount is greater, if the claimant shall have made a  
24 Convenience Class Election with respect to such Claim.

25           “**Convenience Class Election**” means the timely election by the holder of a General  
26 Unsecured Claim in excess of \$10,000 to have such entire General Unsecured Claim be  
27 treated as a claim in the Convenience Class (Class 4), in which case the portion of such  
28

1 General Unsecured Claim in excess of \$10,000 shall be discharged in full on the Effective  
2 Date.

3 **“Creditors’ Committee”** means the official committee of unsecured creditors  
4 appointed under Bankruptcy Code § 1102 by the United States Trustee.

5 **“Cure Payment”** means the payment of cash or the distribution of other property (as  
6 the parties may agree or the Court may order), as necessary to cure defaults under an  
7 executory contract or unexpired lease of Debtor pursuant to Bankruptcy Code § 365(b).

8 **“Cymetrix”** means Cymetrix, Inc., Debtor’s former billing and collection agency that  
9 was replaced during the Case.

10 **“Cymetrix Administrative Claim”** means the stipulated amount to be paid in  
11 installments on account of unpaid post-petition invoices and certain contract termination  
12 payments.

13 **“Debtor”** means Downey Regional Medical Center-Hospital, Inc.

14 **“Debtor’s Counsel”** means Arnold & Porter LLP, reorganization counsel to Debtor.

15 **“Debtor’s Board”** means the board of directors of Debtor.

16 **“Defenses to Claims”** means any counterclaims, defenses, rights of setoff, rights of  
17 recoupment or credits with respect to any Claims against Debtor in the Case, excluding rights of  
18 setoff, recoupment, credit or other entitlement to payments due to Debtor from health insurers  
19 contracted with Debtor with respect to services for patients discharged or treated after Petition  
20 Date.

21 **“DIP Lender”** means MidCap, or any successor lender under the MidCap DIP Loan.

22 **“Disallowed Claim”** means a Claim, or any portion thereof, that: (a) is not listed on the  
23 Debtor’s Schedules, or is listed therein as contingent, unliquidated, disputed, or in an amount  
24 equal to zero, and whose holder has failed to timely File a proof of Claim; or (b) the Court has  
25 disallowed pursuant to order of the Court.

26 **“Disclosure Hearing”** means the hearing(s) on the approval of the Disclosure Statement.  
27

1           **“Disclosure Statement”** means the disclosure statement to accompany the Plan, as it  
2 subsequently may be modified or amended.

3           **“Disputed”** with respect to any Claim means a Claim:

4           (a) As to which a proof of Claim is Filed or is deemed Filed under Bankruptcy Rule  
5 3003(b)(1); and

6           (b) As to which:

7                 1. An objection: (1) has been timely Filed; and (2) has not been denied by a  
8 Final Order or withdrawn; or

9                 2. That Claim is listed on the Debtor’s Schedules as disputed, contingent or  
10 unliquidated, as amended as of the Effective Date.

11 For the avoidance of doubt, an Allowed Claim is not a Disputed Claim.

12           **“Disputed Administrative Claims Reserve”** means funds in an amount sufficient to pay  
13 Administrative Claims that are disputed or unresolved as of the Effective Date, including  
14 estimated Cure Payments that have not yet been determined or Disputed Cure Payments in the  
15 full amounts claimed by objecting contract counterparties, and any professional fees and  
16 expenses that have not yet been approved by the Court. Such amounts shall be placed by the  
17 Plan Trustee in an interest-bearing account that shall be maintained until the resolution of all  
18 such Claims.

19           **“Disputed Class 5 Claims Reserve”** means an amount reserved from the Initial  
20 Distribution or any Installment Plan Payment that is reasonably estimated to be sufficient to pay  
21 the Pro Rata distribution to Disputed Class 5 Claims if and when they become Allowed Class 5  
22 Claims. Amounts so withheld shall be placed by the Plan Trustee in an interest-bearing account.  
23 The amount in the account shall be adjusted from time to time as Disputed Claims are resolved  
24 and catch-up distributions are made on account of any Disputed Claim that has become an  
25 Allowed Claim in whole or in part. The account shall be maintained at appropriate funding  
26 levels until the resolution of all Class 5 Claims.

27 ///

1           **“Disputed Class 6 Claims Reserve”** means an amount reserved from any Initial  
2 Distribution or Installment Plan Payment that is reasonably estimated to be sufficient to pay the  
3 Pro Rata distribution to Disputed Class 6 Claims if and when they become Allowed Class 6  
4 Claims. The Claim filed by Alliance is the only Disputed Class 6 Claim; all other Class 6  
5 Claims have been resolved and the Allowed amount has been determined. Amounts so withheld  
6 shall be placed by the Plan Trustee in an interest-bearing account that shall be maintained until  
7 the resolution of the Alliance Disputed Class 6 Claim.

8           **“Dolan Property”** means the real property owned by Debtor located at 11445 Dolan  
9 Road, Downey, California.

10           **“DRMC Properties”** means DRMC Properties, Inc., a non-debtor, for-profit affiliate  
11 of Debtor.

12           **“EBIDA”** means Debtor’s earnings before interest, depreciation and amortization,  
13 For the purpose of calculating the amount of potential Additional Plan Payments, EBIDA is  
14 deemed to be the “Operating Cash Flows (net of interest/BK exp)” as identified in Debtor’s  
15 financial projections attached to the Disclosure Statement, as such projections may be revised  
16 from time to time.

17           **“Effective Date”** means the first Business Day (a) that is at least fourteen days after  
18 the Confirmation Date; (b) on which no stay of the Confirmation Order is in effect; and  
19 (c) on which the conditions set forth in Section III.K. have been satisfied or waived by each  
20 of Debtor or Buyer as applicable.

21           **“Effective Date Payments”** means the payments required by the Bankruptcy Code or  
22 the Plan to be made on the Effective Date, including payment of the following: (i) the  
23 principal, interest and other amounts, if any, then outstanding under the MidCap DIP Loan,  
24 and any other MidCap DIP Facility Claims, (ii) all other Allowed Administrative Expense  
25 Claims, including Professional Fees, but excluding Ordinary Course Administrative  
26 Expenses that have been paid by Debtor or will be paid by Reorganized Debtor in the  
27 ordinary course of business, (iii) all Allowed Priority Claims, (iv) 50% of the Allowed  
28

1 Convenience Class Claims; (v) the Bond Claims; (vi) all Allowed Cure Payments, except  
2 those being paid in installments over time; (vii) Initial Distributions to Classes 2B, 5, and 6;  
3 (viii) initial funding for the Plan Trust; and (ix) the Disputed Administrative Claims Reserve,  
4 including amounts for Disputed Cure Payments (in the full amounts claimed by objecting  
5 contract counterparties) and Disputed Convenience Class Claims.

6 **“Estate”** means the estate created in the Case under Bankruptcy Code § 541.

7 **“Excluded Assets”** means, in the event of a Transaction, all assets that are excluded  
8 from the sale to Buyer under the Asset Purchase Agreement and that remain assets of the  
9 Estate, including any and all Avoidance Actions retained by Debtor; any claims against  
10 directors or officers or against directors and officers or other liability insurance policies; any  
11 offsets or Defenses to Claims; and any tangible or intangible asset that Buyer designates as  
12 an Excluded Asset and any other asset that is excluded from the sale to Buyer pursuant to the  
13 Asset Purchase Agreement.

14 **“Exhibit Filing Date”** means October 4, 2011.

15 **“Exit Funding”** means the RCB Financing, the A/R Loan, or such other equivalent  
16 funding as may be arranged by Debtor to fund the Standalone Alternative. In the event of a  
17 Transaction, this term shall refer to (a) the funds provided by Buyer or Buyer from its own  
18 resources to pay the Effective Date Payments; and (b) such additional committed working capital  
19 as Buyer may arrange, and (c) such other funds for capital expenditures as Buyer may be  
20 required to provide by the Attorney General pursuant to the consent of the Attorney General to  
21 the Transaction.

22 **“Exit Lenders”** means RCB and MidCap.

23 **“Filed”** means duly and properly filed with the Court and reflected on the Court’s  
24 official docket.

25 **“Final Order”** means an order or judgment of the Court entered on the Court’s  
26 official docket:

27 (a) that has not been reversed, rescinded, stayed, modified, or amended;

1 (b) that is in full force and effect;

2 (c) with respect to which: (1) the time to appeal or to seek review, remand,  
3 rehearing, or a writ of certiorari has expired and as to which no timely filed appeal or  
4 petition for review, rehearing, remand, or writ of certiorari is pending; or (2) any such  
5 appeal or petition has been dismissed or resolved by the highest court to which the order  
6 or judgment was appealed or from which review, rehearing, remand, or a writ of  
7 certiorari was sought; and

8 (d) that has not been appealed, or that has been appealed but this condition has  
9 been waived by Debtor or Buyer, as applicable.

10 **“General Unsecured Claim”** means a Claim that is not a 503(b)(9) Claim, an  
11 Administrative Expense Claim, a Priority Claim, a Priority Tax Claim, a Secured Claim, or a  
12 Secured Tax Claim.

13 **“Health Net”** means Health Net of California.

14 **“Health Plan Loan Claims”** means the Claims filed by Health Net and PacifiCare with  
15 respect to certain prepetition loans made to Debtor or payments made to third-party providers on  
16 Debtor’s behalf and at its request that are being paid pursuant to assumption and modification of  
17 their provider contracts, and installment payment of their Cure Payments.

18 **“HFG”** means Healthcare Finance Group, the lender that provided debtor in possession  
19 financing at the outset of the Case.

20 **“HFG Cash Collateral Orders”** means the interim order entered September 18, 2009  
21 and final order entered on October 16, 2009 approving the Emergency Motion for Interim and  
22 Final Orders Authorizing Debtor to Utilize Cash Collateral, Granting Adequate Protection to  
23 Pre-Petition Secured Lenders, and Scheduling Final Hearing with respect to the HFG DIP Loan  
24 at the outset of the Case.

25 **“HFG DIP Loan”** means the \$10 million debtor in possession loan provided by HFG.

26 **“Hospital Facility”** means Debtor’s hospital building, fixtures, and related physical plant  
27 located at 11500 Brookshire Avenue, Downey, California.



1           “**Indenture**” means that certain Indenture dated as of August 1, 1993 as amended by,  
2 among other things, the First Supplemental Indenture, dated as of February 26, 2004, entered  
3 into between the CHFFA and Wells Fargo.

4           “**Initial Distribution**” means a partial payment to be made on account of Allowed  
5 Claims in Classes 5 and 6 on the Effective Date.

6           “**Installment Plan Payments**” means the periodic payments of interest and principal to  
7 be made to holders of Allowed Claims in Classes 5, 5A and 6 pursuant to the Plan, but not  
8 including the Effective Date Payments or payments to holders of Allowed Claims in Classes 1,  
9 2A, 2B, 2C, and 4.

10           “**Insured Claims**” means General Unsecured Claims arising prior to the Confirmation  
11 Date involving personal injury, medical malpractice, or wrongful death (including slip-and-fall  
12 and medical malpractice Claims) that are covered by the terms of Debtor’s various insurance  
13 policies. All Insured Claims are Disputed Claims, as Debtor contests liability. Some of the  
14 Insured Claims are fully insured, and no deductible or self-insured amount would be payable by  
15 Debtor under the terms of the applicable insurance policy. As to other Insured Claims, Debtor  
16 may owe deductible amounts. Insured Claims are classified as a subclass (Class 5A) of Class 5,  
17 General Unsecured Claims (not otherwise classified). See Section III.G below for further  
18 information about issues relating to Insured Claims.

19           “**Interest**” means the interest of Parent, the sole member of the Debtor, as defined in  
20 Bankruptcy Code § 101(17).

21           “**Interest Rate**” means 3% per annum.

22           “**Majority Beneficial Holder**” means the current majority beneficial holder of the  
23 Bonds.

24           “**Mandatory Assumed Contract**” means managed care contracts between Debtor and  
25 various health plans and approved by order of the Court or entered into during the Case that are  
26 required to be assumed by Reorganized Debtor or Buyer, as set forth on the Plan Schedules to be  
27 filed on the Exhibit Filing Date. This term shall also include the following contracts between  
28

1 Debtor and Siemens, which have been assumed pursuant to a global settlement with Siemens that  
2 is the subject of a settlement, assumption and contract modification motion granted on  
3 August 10, 2011: the UNITY Healthcare Information System Agreement dated as of  
4 December 24, 1996; the Modality Service Agreement No. 35079508 dated as of December 11,  
5 2006; the Modality Service Agreement No. 35081401 dated as of January 31, 2007; and the  
6 Modality Service Agreement No. 35048453 dated as of February 27, 2009, as all have been  
7 amended and modified.

8 **“Medical Office Building”** means the medical office building owned by DRMC  
9 Properties that is located adjacent to the Hospital, 11480 Brookshire Ave., Downey, CA 90241.

10 **“MidCap”** means MidCap Financial, LLC, the DIP Lender.

11 **“MidCap Cash Collateral Motion”** means the Motion for Approval of Amended Final  
12 Order Authorizing the Use of Cash Collateral and Granting Adequate Protection With Respect  
13 Thereto in Connection with Replacement Postpetition Financing With MidCap filed by Debtor  
14 on August 31, 2010.

15 **“MidCap Cash Collateral Order”** means the final order entered on September 17, 2010  
16 approving the MidCap Cash Collateral Motion.

17 **“MidCap DIP Facility Claim”** means a Claim and/or Administrative Expense Claim of  
18 the DIP Lender against Debtor arising pursuant to the MidCap DIP Loan, the MidCap DIP Order  
19 and/or the MidCap Cash Collateral Order as of or after the Effective Date.

20 **“MidCap DIP Financing Motion”** means the Motion for Final DIP Order Authorizing  
21 Debtor to Obtain Replacement Postpetition Financing With MidCap filed by Debtor on  
22 August 31, 2010.

23 **“MidCap DIP Loan”** means that certain First Priority Secured Priming Super-Priority  
24 Debtor In Possession Credit and Security Agreement, dated as of September 20, 2010, among  
25 Downey Regional Medical Center-Hospital, Inc. and MidCap Financial, LLC, as the same may  
26 be refinanced or replaced from time to time, as approved by the Final DIP Order (a) Authorizing  
27 Debtor to Obtain Postpetition Financing With Midcap Financial, LLC; (b) Granting  
28

1 Superpriority Expense Claims and Security Interests; and (c) Granting Other Relief, entered on  
2 September 17, 2010 [ECF Dkt. No. 810].

3 **“MidCap DIP Order”** means the final order entered on September 17, 2010 approving  
4 the MidCap DIP Financing Motion.

5 **“Next Payment Date”** means, with respect to any particular Disputed Claim, the first  
6 business day of the calendar quarter after such Claim has been Allowed by Final Order.

7 **“Ordinary Course Administrative Expense”** means Administrative Expense Claims  
8 that will be paid as they come due after the Effective Date in the ordinary course of Reorganized  
9 Debtor’s business, *provided, however*, that the MidCap DIP Facility Claims do not constitute  
10 Ordinary Course Administrative Expenses.

11 **“PacifiCare”** means United/PacifiCare of California, Inc. and its affiliates.

12 **“PacifiCare Settlement”** means the Claims Settlement Agreement entered into between  
13 Debtor and PacifiCare on March 4, 2011, as approved by the Court.

14 **“Parent”** means Downey Regional Medical Center, Inc., the sole member of Debtor.

15 **“Parent Board”** means the board of directors of Parent.

16 **“Patton Property”** means the real property owned by Debtor located at 11400 Patton  
17 Road, Downey, California, which is currently used as an employee parking lot.

18 **“Petition Date”** means September 14, 2009.

19 **“Pioneer”** means Pioneer Medical Group.

20 **“Plan”** means Debtor’s Chapter 11 Plan of Reorganization (dated April 22, 2010), as  
21 amended August 23, 2011, and as it subsequently may be modified or amended.

22 **“Plan Schedules”** means schedules and exhibits to be attached to and incorporated by  
23 reference in the Plan, to be filed on the Exhibit Filing Date.

24 **“Plan Trust”** means the trust established for the benefit of creditors as of the Effective  
25 Date pursuant to the Plan to (a) receive Plan payments from Debtor or Buyer, as applicable, and  
26 to receive proceeds of the Trust Causes of Action; (b) act as disbursing agent to make Installment  
27 Plan Payments, Additional Plan Payments (if any), Sale Premium Payments (if any), and  
28

1 distributions under the Plan on account of the Allowed Claims in Classes 5, 5A and 6, other than  
2 (i) the Effective Date Payments, which shall be made by Debtor or Buyer, as applicable, from the  
3 Exit Funding, and (ii) the periodic payments on account of the Class 2B and 2C Claims, and  
4 assumed contracts and leases, which shall be made directly by Reorganized Debtor or Buyer, as  
5 applicable; and (c) in the event of a Transaction, administer, liquidate, and distribute proceeds on  
6 account of any Excluded Assets, and object to Claims. The documentation establishing the Plan  
7 Trust will be filed as part of the Plan Schedules to be filed on the Exhibit Filing Date. The Plan  
8 Trust will be funded as provided in Section III.E.3.

9 **“Plan Trustee”** means Tim Yoo, the trustee for the Plan Trust. The Plan Trustee shall be  
10 entitled to retain attorneys, accountants and such other professionals as may be necessary.

11 **“Plan Trust Agreement”** means the trust agreement for the Plan Trust.

12 **“Post-Confirmation Committee”** means the committee consisting of three members of  
13 the Creditors Committee, appointed to serve after the Effective Date on the terms and conditions  
14 described in Section III.E.3 of this Plan.

15 **“Post-Effective Date Transaction”** means an acquisition, merger, or other transaction  
16 resulting in a change of control of Reorganized Debtor that occurs after the Effective Date but  
17 before distributions Classes 5, 5A and 6 are completed under the terms of the Plan.

18 **“Potential Bidder”** means a third party that has made an offer or other serious  
19 expression of interest in entering into a Transaction to acquire Debtor or its assets.

20 **“Priority Claim”** means a Claim entitled to priority against the Estate under Bankruptcy  
21 Code §§ 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7). Priority Claims do not include any Claims  
22 incurred after Petition Date.

23 **“Priority Tax Claim”** means a Claim entitled to priority against the Estate under  
24 Bankruptcy Code § 507(a)(8). Priority Tax Claims do not include any Claims incurred after  
25 Petition Date.

1           **“Professional Fee Claim”** means a Claim under Bankruptcy Code §§ 327, 328, 330,  
2 331, 503, or 1103 for compensation for professional services rendered or expenses incurred for  
3 which the Estate is liable for payment.

4           **“Pro Rata”** means proportionately so that the ratio of (a) the amount of consideration  
5 distributed on account of a particular Allowed Claim to (b) the Allowed Claim, is the same as the  
6 ratio of (x) the amount of consideration available for distribution on account of Allowed Claims  
7 in the Class in which the particular Allowed Claim is included to (y) the amount of all Allowed  
8 Claims of that Class.

9           **“PTO Claims”** mean Claims asserted by Debtor’s employees that are based upon  
10 accrued hours arising under Debtor’s nonworking day and paid time off policies.

11           **“RCB”** means RCB Equities #1, LLC or such other entity that is the Bond purchaser  
12 under the RCB Financing.

13           **“RCB Financing”** means municipal bond financing to be provided by RCB as part of the  
14 Exit Funding in the gross amount of up to \$36.85 million (but with net proceeds of  
15 approximately \$29 million, after accounting for the Bond Funds that may be transferred to  
16 Debtor and/or RCB), to be secured by (i) a first lien on substantially all of Debtor’s assets other  
17 than the Dolan Property, on which RCB will have no lien; and (ii) a second lien, subject to the  
18 liens securing the A/R Loan, on Debtor’s accounts receivable and related collateral. Subject to  
19 further negotiation between and among Debtor, RCB, Wells Fargo, and other interested parties,  
20 the RCB Financing will consist of two tranches:

- 21           (1) The purchase by Debtor, in lieu of redemption, of the outstanding Bonds,  
22 with such purchase to be funded by means of a short term bridge loan from RCB, and  
23 then either the immediate re-sale of the existing Bonds on modified terms to RCB **or** a re-  
24 funding and re-issuance of tax-exempt Bonds for purchase by RCB in satisfaction of the  
25 bridge loan, the effect of which in either case will be that the Bond Claims will be paid in  
26 full on the Effective Date and RCB will hold either not less than \$14.5 million of the  
27 existing Bonds or at least \$11 million of re-funded Bonds; **and**

1 (2) The purchase by RCB of discounted bonds to be issued by a municipal  
2 conduit issuer in the face amount of \$31.32 million, less the amount of the tax-exempt  
3 Bonds and the Bond Funds that remain in place (it is estimated that the net face amount  
4 of this new issuance will be \$15 - 20 million), which will be used to pay Administrative  
5 Expense Claims and other Claims on the Effective Date.

6 Debtor and RCB entered into a binding commitment with respect to certain terms of the RCB  
7 Financing on June 1, 2011. A copy of the commitment with respect to the RCB Financing is  
8 attached to the Disclosure Statement as Exhibit 5. Final approval of the RCB Financing (other  
9 than the binding provisions approved on July 13, 2011) will be the subject of a separate motion  
10 for approval that will provide the details of the terms of the financing, to be heard at or before the  
11 Confirmation Hearing.

12 **“Real Property”** means the real property consisting of the Hospital Facility, the  
13 underlying grounds, and related fixtures.

14 **“Rejection Claim”** means a Claim arising under Bankruptcy Code § 365 from the  
15 rejection by Debtor of an unexpired lease or executory contract.

16 **“Reorganized Debtor”** means Debtor on and after the Effective Date, after giving effect  
17 to the Plan. In the event that the Plan implements a Transaction, all references to Reorganized  
18 Debtor shall be deemed to refer to Buyer, as applicable.

19 **“Risk-Share Claims”** means Claims held by AppleCare, Alliance, and Pioneer with  
20 respect to alleged risk-sharing profit allocations arising from Debtor’s former capitation  
21 agreements.

22 **“Sale Premium Payments”** are certain additional payments of 10 or 20% of Allowed  
23 Class 5, 5A and 6 Claims that will be payable if Reorganized Debtor ceases to operate as a  
24 standalone hospital as the result of a Post-Effective Date Transaction, whether by acquisition,  
25 merger, or other transaction resulting in a change of control of Reorganized Debtor, as more  
26 fully described in Section III.D.8 below.

1           **“Schedule of Assumed Agreements”** means the Plan Schedule of executory contracts  
2 and unexpired leases that Debtor will assume on the Effective Date, which shall include all  
3 Mandatory Assumed Contracts. On or before the Assumption Schedule Filing Date, Debtor will  
4 File the initial Schedule of Assumed Agreements and serve it on the parties to agreements listed  
5 on the schedule. The Schedule of Assumed Agreements will identify separately (i) the executory  
6 contracts and unexpired leases that Debtor will assume on the Effective Date, and (ii) any  
7 contracts or agreements that Debtor does not believe qualify as “executory” contracts but that  
8 Debtor intends to remain in effect, such as billing or service arrangements that do not actually  
9 impose any performance obligations on either party. If there is no Transaction, Debtor reserves  
10 the right to amend the Schedule of Assumed Agreements at any time after the Assumption  
11 Schedule Filing Date and prior to the Effective Date to: (a) delete any executory contract or  
12 unexpired lease and provide for its rejection under the Plan or otherwise, except that Mandatory  
13 Assumed Contracts shall not be deleted, or (b) add any executory contract or unexpired lease and  
14 provide for its assumption under the Plan. Debtor will provide notice of any amendment to the  
15 Schedule of Assumed Agreements to the party or parties to the agreement affected by the  
16 amendment, subject to the requirement that Debtor must reserve amounts for Disputed Cure  
17 Payments in the full amounts claimed by objecting contract counterparties. In the event of a  
18 Transaction, up to 30 days after the Effective Date, Buyer may (i) add additional executory  
19 contracts or unexpired leases to the Schedule of Assumed Agreements via Supplemental or  
20 Amended Plan Schedules, or (ii) delete executory contracts or unexpired leases from the  
21 Schedule of Assumed Agreements, except that Mandatory Assumed Contracts shall not be  
22 deleted.

23           **“Schedule of Rejected Agreements”** means the Plan Schedule of executory contracts  
24 and unexpired leases that Debtor will reject on the Effective Date. On or before the Assumption  
25 Schedule Filing Date, Debtor will File the initial Schedule of Rejected Agreements and serve it  
26 on the parties to agreements listed on the schedule. If there is no Transaction, Debtor reserves  
27 the right to amend the Schedule of Rejected Agreements at any time after the Assumption

1 Schedule Filing Date and prior to the Effective Date to: (a) delete any executory contract or  
2 unexpired lease from the Schedule of Rejected Agreements and provide for its assumption under  
3 the Plan, subject to the right of the counterparty to object to such transfer within ten business  
4 days after notice with a right to a hearing thereon, and subject to the requirement that Debtor  
5 must reserve amounts for Disputed Cure Payments in the full amounts claimed by objecting  
6 contract counterparties, or (b) add any executory contract or unexpired lease and provide for its  
7 rejection under the Plan or otherwise. In the event of a Transaction, up to 30 days after the  
8 Effective Date, Buyer may remove an executory contract or unexpired lease from the Schedule  
9 of Rejected Agreements and add it to the Schedule of Assumed Agreements, subject to the right  
10 of the counterparty to object to such transfer within ten business days after notice with a right to  
11 a hearing thereon.

12 **“Schedules”** means the Schedules of Assets and Liabilities filed by the Debtor as such  
13 Schedules may have been, or may subsequently be, amended before the Effective Date.

14 **“Secured Claim”** means a Claim, including a Secured Tax Claim, that is secured by a  
15 lien on Debtor’s property. A Claim is a Secured Claim only to the extent of the value of the  
16 claimholder’s interest in the collateral or to the extent of the amount subject to setoff, whichever  
17 is applicable, and as determined under Bankruptcy Code § 506(a).

18 **“Secured Tax Claim”** means a governmental unit’s Secured Claim for unpaid taxes  
19 arising before Petition Date.

20 **“Siemens”** means Siemens Medical Solutions USA, Inc.

21 **“Transaction”** means the alternative plan transaction pursuant to which Buyer  
22 simultaneously acquires (a) the Hospital by member substitution or purchasing the assets of  
23 Debtor pursuant to the Asset Purchase Agreement; (b) the Medical Office Building pursuant to a  
24 separate agreement with the Parent and DRMC Properties; and, at Buyer’s option, (c) the  
25 Memorial Foundation, pursuant to a separate agreement with the Parent.

26 **“Transaction Documents”** means all documents relating to a proposed Transaction,  
27 including but not limited to an Asset Purchase Agreement or Member Substitution Agreement.



1           **“Trust Assets”** means (i) the Disputed Claims Reserves; (ii) the Installment Plan  
2 Payments, Additional Plan Payments (if any), and Sale Premium Payments (if any) as they are  
3 made to the Plan Trustee; (iii) any net proceeds of the sale of the Dolan Property, after payment  
4 of the Apollo Claim; and (iv) the Trust Causes of Action.

5           **“Trust Causes of Action”** means any causes of action belonging to Debtor or the estate  
6 against Debtor’s present or former accountants who rendered auditing services in connection  
7 with the audited financial statements of Debtor (specifically including but not limited to any  
8 actions for negligence or professional malpractice), but limited solely to claims or causes of  
9 action arising from the present or former accountants’ prepetition conduct. Debtor and the  
10 Creditors’ Committee will enter into a stipulation to grant the Creditors’ Committee standing to  
11 bring Trust Causes of Action prior to the expiration of the period of limitations for such actions.

12           **“U.S. Trustee”** means the Office of the United States Trustee for the Central District of  
13 California.

14           **“U.S. Trustee Fees”** means fees or charges assessed against the Estate pursuant to  
15 28 U.S.C. § 1930.

16           **“VCAP”** means the voluntary closing agreement program of the Internal Revenue  
17 Service pursuant to which Debtor is seeking resolution of technical issues with respect to the  
18 Bonds in connection with the documentation of a prepetition sale of an outpatient facility many  
19 years ago.

20           **“Wells Fargo”** means Wells Fargo Bank, National Association, as Indenture Trustee for  
21 the Bonds.

22 **B. Rules of Construction.**

23           1. The rules of construction in Bankruptcy Code § 102 apply to this Plan to the  
24 extent not inconsistent herewith.

25           2. Bankruptcy Rule 9006(a) applies when computing any time period under the  
26 Plan.

27           3. A term that is used in this Plan and that is not defined in this Plan has the  
28

1 meaning attributed to that term, if any, in the Bankruptcy Code or the Bankruptcy Rules.

2 4. The definition given to any term or provision in the Plan supersedes and  
3 controls any different meaning that may be given to that term or provision in the Disclosure  
4 Statement.

5 5. Whenever it is appropriate from the context, each term, whether stated in the  
6 singular or the plural, includes both the singular and the plural.

7 6. Any reference to a document or instrument being in a particular form or on  
8 particular terms means that the document or instrument will be substantially in that form or  
9 on those terms.

10 7. Any reference to an existing document means the document as it has been, or  
11 may be, amended or supplemented.

12 8. Unless otherwise indicated, the phrase “under the Plan” and similar words or  
13 phrases refer to this Plan in its entirety rather than to only a portion of the Plan.

14 9. Unless otherwise specified, all references to Sections or Exhibits are  
15 references to this Plan’s Sections or Exhibits.

16 10. The words “herein,” “hereto,” “hereunder,” and other words of similar import  
17 refer to this Plan in its entirety rather than to only a particular portion hereof.

### 18 **III. CLASSIFICATION AND TREATMENT OF CLAIMS**

#### 19 **A. General Overview**

20 As required by the Bankruptcy Code, the Plan classifies claims and interests in various  
21 classes according to their right to priority of payments as provided in the Bankruptcy Code.  
22 The Plan states whether each Class of Claims or interests is impaired or unimpaired. The Plan  
23 provides the treatment each Class will receive under the Plan.

#### 24 **B. Summary and Classification of Claims and Interests.**

25 This Section classifies Claims and Interests – except for Administrative Expense Claims  
26 and Priority Tax Claims, which are not classified – for all purposes, including voting,  
27 confirmation, and distribution under the Plan. A Claim or Interest is classified in a particular  
28

1 Class only to the extent that the Claim or Interest falls within the Class description. To the extent  
2 that part of the Claim or Interest falls within a different Class description, the Claim or Interest is  
3 classified in that different Class.

4 The following table summarizes the Classes of Claims and Interests under the Plan that  
5 are Allowed Claims or Allowed Administrative Expense Claims:  
6

7 CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
8 None	Administrative Expense Claims and Priority Tax Claims	Unimpaired	Not Entitled to Vote
9 1	Priority Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
10 2A	Secured Claims of Wells Fargo and CHFFA	Unimpaired	Not Entitled to Vote / Deemed to Accept
11 2B	Secured Claim of Apollo	Impaired	Entitled to Vote
12 2C	Secured Claims of Equipment Lessors	Unimpaired	Not Entitled to Vote / Deemed to Accept
13 3	Assumed Employee PTO Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
14 4	Convenience Class Claims	Impaired	Entitled to Vote
15 5	General Unsecured Claims (Not Otherwise Classified)	Impaired	Entitled to Vote
16 5A	Insured Claims	Impaired	Entitled to Vote
17 6	Risk-Share Claims	Impaired	Entitled to Vote
18 7	Interest Holders	Unimpaired	Not Entitled to Vote

19 **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NO**  
20 **DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON**  
21

1 **ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM**  
2 **OR INTEREST.**

3 The treatment in this Plan is in full and complete satisfaction of the legal, contractual, and  
4 equitable rights (including any liens) that each individual or entity holding an Allowed Claim  
5 may have in or against Debtor, the Estate, or their respective property. This treatment supersedes  
6 and replaces any agreements or rights those individuals or entities may have in or against Debtor,  
7 the Estate, or their respective property. Except as otherwise provided in this Plan, all  
8 distributions in respect of Allowed Claims will be allocated first to the principal amount of such  
9 Allowed Claim, as determined for federal income tax purposes, and thereafter, to the remaining  
10 portion of such Allowed Claim, if any.

11 **C. Unclassified Claims**

12 Certain types of claims are not placed into voting classes; instead they are unclassified.  
13 They are not considered impaired and they do not vote on the Plan because they are  
14 automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such,  
15 Debtor has not placed the following claims in a class. The treatment of these claims is provided  
16 below.

17 **1. Administrative Expense Claims**

18 **a. Types of Claims Entitled to Administrative Priority**

19 Administrative Expense Claims are claims for costs or expenses of administering the  
20 Debtor's Chapter 11 case which are Allowed by the Bankruptcy Court under Bankruptcy Code  
21 § 507(a)(1). The Code requires that all Administrative Expense Claims that have not been paid  
22 by Debtor in the ordinary course of business before the Effective Date must be paid on the  
23 Effective Date of the Plan (or as soon thereafter as they are Allowed) unless a particular claimant  
24 agrees to a different treatment. Administrative Expense Claims include (i) the MidCap DIP  
25 Facility Claims; (ii) Accrued General Administrative Expenses; (iii) 503(b)(9) Claims;  
26 (iv) Allowed Professional Fee Claims; (v) Cure Payments (except for the Cure Payments owed to  
27 PacifiCare that are to be paid in installments pursuant to the PacifiCare Settlement and the Cure  
28

1 Payments already paid to Health Net); (vi) any Adequate Protection Payments (as such term is  
2 defined in the HFG Cash Collateral Orders and the MidCap Cash Collateral Order) that have not  
3 otherwise been paid by the Effective Date, including Wells Fargo's post-petition fees and  
4 expenses and any payments of principal, interest, or charges, which amounts shall be deemed  
5 Allowed without further action by Wells Fargo, Debtor, or the Court; and (vii) fees payable to  
6 the clerk of the Bankruptcy Court and the Office of the United States Trustee.

7 Pursuant to Section 503(b)(9) of the Bankruptcy Code, certain Claims for payment of  
8 goods used in the operation of the Hospital that had been delivered to it within 20 days before  
9 Petition Date qualify as administrative priority claims, entitled to payment in full on the  
10 Effective Date of the Plan. Debtor's motion to establish deadlines and procedures for 503(b)(9)  
11 Claims early in the Case that proposed deadlines and treatment of such Claims was approved  
12 early in the Case and a bar date was established for Filing such Claims. Debtor filed objections  
13 to certain claims that asserted priority status under Section 503(b)(9) that were upheld.  
14 The Allowed 503(b)(9) Claims are listed on Exhibit A and total about \$1.2 million.

15 With respect to Professional Fee Claims, the professional in question must file and serve  
16 a properly noticed fee application and the Court must rule on the application. Only the amount  
17 of fees Allowed by the Court will be required to be paid under this Plan.

18 Other than Ordinary Course Administrative Expenses that will be paid by Debtor or  
19 Reorganized Debtor in the ordinary course of business, the Allowed Administrative Expense  
20 Claims are estimated to total approximately \$23-24 million as of the Effective Date, of which  
21 approximately \$11 million is for the MidCap DIP Facility Claims; \$1 million for the 503(b)(9)  
22 Claims; \$500,000 for General Accrued Administrative Expenses; \$3,300,000 for Cure Payments  
23 due on the Effective Date, which shall include amounts reserved for Disputed Cure Payments  
24 and Disputed Administrative Claims; \$250,000 for Wells Fargo for attorney's and trustee fees  
25 (after reduction of fees paid from the Bond Funds) and unpaid Adequate Protection cure  
26 amounts; \$7 million for Professional Fee Claims; and \$872,000 for amounts due to PIH and  
27 Cymetrix pursuant to court-approved settlements. It should be noted that the MidCap DIP  
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1 Facility Claims total does not reflect any substantial incurrence of net, new debt during the case;  
2 it is effectively balance-sheet neutral. The availability of the MidCap DIP Loan enabled Debtor  
3 to continue to operate while paying approximately \$9-10 million in interest and principal on the  
4 Bonds by continuing the regular monthly payments during the Case, as well as the full balance of  
5 the \$1.2 million Health Net Health Plan Loan Claim and approximately \$1.5 million on account  
6 of the PacifiCare Health Plan Loan Claim pursuant to the court-approved stipulated orders.

7 **b. Treatment of Administrative Priority Claims**

8 **(i) Treatment of MidCap DIP Facility Claims**

9 All MidCap DIP Facility Claims shall be Allowed Administrative Expense Claims.  
10 Unless otherwise agreed in writing by the DIP Lender, each MidCap DIP Facility Claim shall be  
11 paid in full in Cash on or prior to the Effective Date.

12 **(ii) Treatment of Other Administrative Priority Claims**

13 Unless otherwise agreed, and except for Ordinary Course Administrative Expenses  
14 (which will be paid in the ordinary course of business), all Administrative Expense Claims,  
15 including Professional Fees, Other Administrative Claims, Cure Payments, 503(b)(9) Claims,  
16 Clerk's Office Fees, and U.S. Trustee Fees, will be paid in full in cash on the later of the  
17 Effective Date or the date such claims are Allowed.

18 **2. Priority Tax Claims**

19 Priority Tax Claims are certain unsecured income, employment and other taxes described  
20 by Bankruptcy Code § 507(a)(8). The Code requires that each holder of such a Priority Tax  
21 Claim receive the present value of such claim in deferred cash payments, over a period not  
22 exceeding six years from the date of the assessment of such tax.

23 For this Case, no known Priority Tax Claims exist. Debtor is a nonprofit corporation and  
24 does not owe income taxes. During the Case, Debtor obtained court authority to bring wages,  
25 benefits and payroll taxes current for the prepetition period, so no prepetition employment  
26 related taxes remain due. Debtor has otherwise kept current on taxes. The only Priority Tax  
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1 Claim scheduled by Debtor related to property taxes, but it was filed as a secured claim and has  
2 since been withdrawn:

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<u>Description</u>	<u>Amount Owed</u>
No priority tax claims are on file.	\$0

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6 **D. Classified Claims**

7 **1. Class 1 – Priority Claims (Other than Priority Tax Claims) –**

8 Class 1 consists of Priority Claims against Debtor, other than Priority Tax Claims.  
9 These Priority Claims are entitled to priority treatment in that each holder of such a claim is  
10 entitled to receive cash on the Effective Date equal to the allowed amount of such claim, unless.  
11 the class votes to accept deferred cash payments of a value, as of the Effective Date, equal to the  
12 allowed amount of such claims.

13 The only known Priority Claims consist of wage and benefits Claims under Bankruptcy  
14 Code §§ 507(a)(4) and (5) for PTO Claims that (a) were for accrued PTO Claims that were not  
15 paid pursuant to the Order Authorizing Payment of Prepetition Wages, entered on September 17,  
16 2009; (b) are PTO Claims that arise from the termination of employment during the Case or on  
17 the Effective Date, or (c) in the event of a Transaction, are PTO Claims of Debtor’s employees  
18 who are hired by Buyer, but whose PTO Claims exceed the maximum amount of PTO eligible  
19 for assumption under Buyer’s human resources policies. Most Claims filed by employees that  
20 asserted Priority status were in an “unknown” amount and remain to be determined. The face  
21 amount of filed PTO Claims is about \$450,000, but many employees have applied those PTO  
22 amounts to time off taken during the Case. Debtor estimates the total amount of Priority PTO  
23 Claims to be less than \$200,000.

24 Excluded from this class are (a) wage claims (including severance pay) in excess of the  
25 statutory limit of \$10,950, and (b) PTO Claims in excess of the statutory limit of \$10,950 for  
26 benefits. Such Claims will be treated as General Unsecured Claims in Class 5. Also excluded  
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1 from this class are the Assumed Employee PTO Claims of Debtor's employees who are retained  
2 by Reorganized Debtor or who are hired by Buyer, which will be treated as assumed obligations.

3 Certain medical services providers also asserted priority status on their proofs of Claim  
4 forms in the aggregate amount of approximately \$195,000, but provided no evidence that they  
5 qualify for priority. Debtor intends file objections to the priority status of those Claims before  
6 the Confirmation Hearing and therefore has excluded them from the estimated Priority Claims.

7 The Priority Claims shall be treated as follows:

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
1	Priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5)  Total amt of claims = less than \$200,000	No	No	Paid in cash in full on later of Effective Date or when Allowed

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**2. Classes 2A, 2B, and 2C – Secured Claims**

Classes 2A, 2B, and 2C consist of Secured Claims against Debtor. Secured Claims are claims secured by liens on property of the estate. The Secured Claims shall be treated as follows:

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
2A-1	<p>Secured Bond Claims of Wells Fargo for the Bonds</p> <p>(all estimated amounts in this section assume that Debtor makes the required monthly adequate protection payments, each in the amount of \$444,000, through October 31, 2011)</p> <p>Collateral description = Pursuant to the Indenture, a security interest in Gross Operating Revenues (as defined in the Bond Documents) and the Bond Funds; and pursuant to the HFG Cash Collateral Orders and the MidCap Cash Collateral Order, a security interest in substantially all of Debtor's assets and certain assets of Debtor's affiliates.</p> <p>Collateral value as of Petition Date= Fully secured as of Petition Date: Gross Operating Revenues (as defined in the Bond Documents) valued in excess of \$30 million; Bond Funds on deposit as of Petition Date in excess of \$6.785 million.</p>	No	No	<p>The Bond Claims shall be paid in full on the Effective Date.</p> <p>Debtor may elect to purchase the Bonds in lieu of redemption and re-sell the Bonds to RCB, or re-fund and re-issue the Bonds for purchase by RCB. Under all alternatives, the Bond Claims will be paid in full on the Effective Date.</p> <p>Debtor shall continue to make all payments on account of the Bonds, as scheduled, until the Effective Date.</p>

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
	<p>As of October 31, 2011, Bond Funds on deposit are expected to be in the amount of \$7.27 million</p> <p>Priority of security interest = First</p> <p>Secured Bond Claim: The amount of principal and interest to be owed on the Bonds on October 31, 2011 is expected to be \$16.87 million.</p> <p>Prepetition Arrearage Amt = \$0</p> <p>Post-pet. Arrearage Amt = approx. \$122,500 attorney's and trustee fees (after reduction of fees paid from the Bond Funds).</p> <p>Total claim amount = est. \$17 million (as of October 31, 2011) (subject to potential offset by application of \$7.27 million in Bond Funds, for net claim of \$9.73 million; additional payments will be made, and additional fees and costs may accrue through the Effective Date)</p>			
2A-2	<p>Secured Claim of CHFFA for expenses relating to the Bonds</p> <p>Collateral Description and value same as for Class 2A-1</p> <p>Prepetition Amount due: \$6,186 on account of expenses relating to administration of the Bonds</p>	No	No	The CHFFA Claim shall be paid in full on the Effective Date.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
2B	<p>Secured Claim of Apollo</p> <p>Collateral description = Accounts receivable</p> <p>Collateral value as of Petition Date = in excess of \$5 million</p> <p>Priority of security int. = Second/Junior</p> <p>Principal owed = Approx. \$1.2 million</p> <p>Pre-pet. Arrearage amount = approx. \$200,000 of principal</p> <p>Post-pet. arrearage amount = approx. \$986,000 of principal</p> <p>Total claim amount = \$1,201,920, plus such interest, attorneys' fees, and expenses as may be Allowed</p>	No	Yes	<p>The Apollo Claim shall be paid in full and will be:</p> <p>(i) assumed and granted a first priority lien on the Dolan Property;</p> <p>(ii) granted a third priority lien on Reorganized Debtor's accounts receivable, subject only to the liens for the Exit Funding;</p> <p>and</p> <p>(iii) paid in equal quarterly payments on a fully amortized basis over a two-year period, including interest at the Interest Rate, beginning with the first payment due on Effective Date (or as soon as practicable thereafter).</p> <p>If the Dolan Property is sold by Debtor, the proceeds of such sale shall be applied to repay the Apollo Claim.</p> <p>In the event of an uncured payment default on Apollo's quarterly payments, Apollo shall be required first to</p>

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
				exhaust all available remedies only with respect to its lien on the Dolan Property. If, and only if, the foreclosure sale proceeds of the Dolan Property are insufficient to satisfy Apollo's remaining Claim, Apollo shall be permitted to enforce any remedies against Reorganized Debtor's accounts receivable, subject to the terms of an intercreditor agreement among Apollo and the Exit Lenders.
2C-1 <sup>2</sup>	<p>Secured Claim of Bank of the West Filed amt = \$1,780,407</p> <p>Collateral description = DR Filmless Imaging System and Alaris System Equipment</p> <p>Collateral value = \$1,300,000 (based upon contract stipulated loss value)</p> <p>Priority of security int. = First</p> <p>Prepetition Arrearage Amt. = \$0</p>	No	No	<p>These security interests were recorded with respect to equipment leases that expire 12/25/2012.</p> <p>Leases will be assumed and paid according to their terms. No cure payments are due.</p>

<sup>2</sup> UCC-1 liens were filed with respect to certain other leased equipment: by Philips Medical Capital with respect to digital diagnostic and x-ray equipment; and by U.S. Bank with respect to the Advia Immunoassay System. These leases expired by their terms during the Case, and Debtor exercised its buy-out options. No further amounts are due. Debtor has requested that appropriate UCC termination notices be filed, and that Philips withdraw its proof of claim.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER (Y/N)</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
	Post-pet. arrearage Amt = \$0  Est. total claim amt. as of 6/1/11 = \$1,258,887 (including all remaining lease payments, net after payments during Case)			
2C-2	Secured Claim of Cisco Systems Filed amt = \$786,750.92  Collateral description = Computer servers and related equipment  Collateral value est = \$800,000 (as of Petition Date)  Priority of security int. = First  Pre-pet. Arrearage Amt. = \$51,000  Post-pet. arrearage Amt = \$[0] <sup>3</sup>  Total claim amount as of 6/1/11 = \$214,500 (including all remaining lease payments and arrearages, net after payments during Case)	No	No	These security interests were recorded with respect to equipment leases that expire 8/31/2012. These leases will be assumed and paid by their terms. To the extent a cure amount is determined to be due, it will be paid in full on the Effective Date (or as soon as practicable thereafter).

**3. Class 3 – Assumed Employee PTO Claims**

Class 3 Assumed Employee PTO Claims are certain PTO Claims for accrued nonworking days and paid time off (“**PTO**”) of Hospital employees in good standing as of the Effective

<sup>3</sup> All bracketed amounts used herein are estimates of what Debtor expects the actual amounts will be, subject to final determination as of the Effective Date.

1 Date. Under Debtor’s human resources policies, employees may have accumulated PTO that the  
 2 employees were able to roll forward from year to year, or cash out at retirement or departure.  
 3 Reorganized Debtor will assume the PTO Claims for retained employees. It should be noted that  
 4 any Claims by former employees for amounts due at the time of their separation will be treated  
 5 as priority wage claims or General Unsecured Claims, as appropriate, and are not part of Class 3.  
 6 In the event of a Transaction, Buyer will treat each DRMC Employee who becomes an employee  
 7 of Buyer as if such employee commenced employment with Buyer on the date that he or she  
 8 commenced his or her employment with Buyer for purposes of determining such employee’s  
 9 seniority as an employee of Buyer as compared to other DRMC Employees who become  
 10 employees of Buyer. Buyer will honor PTO Claims for hired employees up to the maximum  
 11 amount permitted to be accrued pursuant to Buyer or Buyer’s human resources policies.

12 The Assumed Employee PTO Claims shall be treated as follows:

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER (Y/N)</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
3	Assumed Employee PTO Claims  Filed Amt of claims = \$450,000  Est. Assumed Amt = Approximately \$3.8 million	No	No	For all employees that are retained as employees of the Hospital, PTO will be allowed to be used on the same terms and conditions as before Petition Date.

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23 **4. Class 4 – Convenience Class Claims**

24 Class 4 consists of Convenience Class Claims, meaning those General Unsecured Claims  
 25 that are either less than or equal to \$10,000, or if the claim amount is greater, the claimant elects

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1 to reduce its Claim to \$10,000 pursuant to the Convenience Class Election, and thus accept a  
2 maximum of \$5,000 as payment in full.

3 Debtor estimates that approximately 680 claimants with Claims less than or equal to  
4 \$10,000 would naturally fall within the Convenience Class. In addition, approximately 85  
5 additional claimants with Claims between \$10,000 and \$20,000 can be expected to elect  
6 treatment as Convenience Class Claims because \$5,000 would be immediate cash and would be  
7 more attractive than what they would otherwise receive as Installment Plan Payments or  
8 Additional Plan Payments (if any) over a period of years as part of Class 5. Thus, approximately  
9 765 out of a total of approximately 960 Filed or scheduled Claims (not counting Priority  
10 Employee Claims or Assumed Employee PTO Claims in Class 3) would be likely to be  
11 immediately paid and resolved through the Convenience Class upon the Effective Date. It is  
12 possible that holders of Claims greater than \$20,000 will also elect treatment in Class 4 to obtain  
13 the benefit of an immediate cash payment. There is no limit on the number or amount of Claims  
14 that may be the subject of a Convenience Class Election. Satisfaction and elimination of so  
15 many small Claims – constituting approximately 80% of the total number of non-employee  
16 Claims – will greatly simplify the administration of the Installment Plan Payments and  
17 Additional Plan Payments (if any) and significantly reduce the expenses of post-Effective Date  
18 administration.

19 The Convenience Class Claims shall be treated as follows:

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
4	Convenience Class Claims  Total amt of claims = Est. Allowed amount of \$2.3 million, assuming all claimants with Claims between \$1 and	May include insider expense reimburseme nt claims	Yes	To be paid 50% of allowed amount of claim up to a maximum of \$5,000 (estimated payment of \$1.2 million), on the Effective Date or as soon as practicable thereafter. There shall be no limitation

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER (Y/N)</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
	\$20,000 elect Class 4 treatment			on the number of Convenience Class members.

**5. Classes 5 and 5A– General Unsecured Claims Not Otherwise Classified and Insured General Unsecured Claims**

Class 5 consists of General Unsecured Claims that are not Priority Claims, Assumed Employee PTO Claims, Convenience Class Claims, Risk-Share Claims, or Health Plan Loan Claims. Class 5A is a subclass consisting of Class 5 Claims that are also Insured Claims. Class 5 and 5A Claims do not include claims arising under any assumed contracts and leases, which shall be treated as Administrative Expense Claims and paid or otherwise satisfied according to the terms of the assumed contract or lease and any order of the Court authorizing its assumption. To the extent any Class 5 or Class 5A Claim is paid in the ordinary course of business by any party that has reached a prior agreement with Debtor, such Claim will be deemed satisfied and shall not receive a distribution under the Plan. Otherwise, the Class 5 and Class 5A Claims shall be treated as follows:

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
5	<p>General Unsecured Claims (Not Otherwise Classified)</p> <p>Total amt of claims = Approximately \$30 million for Trade, Rejection, Litigation, Capitation Provider, and other Claims not separately classified</p>	<p>May include some insider compensati on claims</p>	<p>Yes</p>	<p>Class 5 Claims shall be paid:</p> <p><u>Initial Distribution:</u> 5% in cash (about \$1.5 million) payable on the Effective Date (or as soon as practicable thereafter) or, for Disputed Claims, payment to be made on the Next Payment Date after the Claim is Allowed.</p> <p><u>Installment Plan Payments:</u> (i) Interest-only annual cash payments at the Interest Rate, commencing on the first anniversary of the Effective Date; (ii) Quarterly Pro Rata principal payments in the aggregate amount of \$540,000, commencing in the 39<sup>th</sup> month and continuing until the 108<sup>th</sup> month after the Effective Date, for a total distribution of 50% of the Allowed amount of the Class 5 Claims, not to exceed \$12.5 million in the aggregate (including the Initial Distribution and the principal Installment Plan Payments). Reorganized Debtor shall have the right to prepay some or all of the Class 5 Installment Plan Payments Pro Rata at any time, provided that the Class 6 payments have</p>

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
				<p>already been paid in full or are being paid in full at the same time.</p> <p><b><u>Opportunities for Enhanced Distributions</u></b></p> <p><u>Alternative A: Additional Plan Payments:</u> As long as Reorganized Debtor remains a standalone entity, on an annual basis commencing on the first anniversary of the Effective Date, Reorganized Debtor will pay to holders of Allowed Class 5, Class 5A and Class 6 Claims their Pro Rata share of 50% of the amount by which Reorganized Debtor's EBIDA exceeds 11% of Reorganized Debtor's annual gross revenues for Reorganized Debtor's fiscal year. These Additional Plan Payments paid each year shall not exceed 10% of the aggregate Allowed amount of the Class 5, Class 5A and Class 6 Claims. To the extent that Additional Plan Payments are available, holders of Class 5 Claims may receive distributions up to 100% of the Allowed amount of their Claims.</p> <p><u>Alternative B: Sale Premium Payments</u></p>

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
				<p>If Reorganized Debtor ceases to operate as a standalone hospital as the result of a Post-Effective Date Transaction, whether by acquisition, merger, or other transaction resulting in a change of control of Reorganized Debtor, holders of Class 5 Claims will be entitled to their remaining Installment Plan Payments due under the terms of the Plan, plus an additional 10 or 20% distribution over the remaining term of the Plan or five years, whichever is shorter, as set forth in Section III.D.8 below. The amount of Additional Plan Payments actually paid to Class 5 creditors shall be credited against Sale Premium Payments as they become due as set forth more fully in Section III.D.8 below.</p>
5A	Insured Claims	No	No	<p>Subject to the terms and conditions set forth in Section III.G below, Allowed Insured Claims in Class 5A shall be paid on the same terms as Class 5, but solely to the extent that an Allowed Insured Claim is within Debtor's self-insured retention amounts. Amounts in excess of the applicable self-insured amount shall be</p>

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
				<p>recoverable only from the available insurance and Debtor shall be discharged to the extent of any such excess.</p> <p>As of the Effective Date, all Insured Claims are Disputed. Amounts will be set aside in the Class 5 Disputed Claims Reserve based upon the self-insured retention amounts for such Insured Claims, until such Disputed Insured Claims are resolved by final judgment or settlement in the applicable non-bankruptcy forum.</p>

**6. Class 6 – Risk-Share Claims**

Class 6 consists of certain General Unsecured Claims held by AppleCare, Alliance, and Pioneer with respect to alleged risk-sharing profit allocations arising from Debtor’s former capitation agreements. Debtor has asserted formal or informal offsets and counterclaims as to each of these Risk-Share Claims. Two of the three holders of Risk Share Claims have stipulated to Allowed Claims and the treatment provided in Class 6. Debtor still hopes to resolve the Alliance Claim consensually as well.

Debtor entered into a settlement agreement with Pioneer as to allowance and treatment of its Risk-Share Claim resulting in a reduction of the Claim from \$2,247,181 to \$2,200,000 and treatment consistent with the terms and conditions herein. Debtor’s motion to approve the settlement was granted by order entered on April 19, 2011.

Debtor has also entered into a settlement with AppleCare that resolves the amount of its Claim as well as certain amounts due from AppleCare to Debtor. AppleCare’s filed proof of

1 claim asserted a Claim for approximately \$12.6 million, consisting of \$8.7 million in allegedly  
 2 earned risk share profits, as well as \$3.9 million in future profits allegedly lost as a result of  
 3 Debtor's termination of the costly capitation agreements. Pursuant to the settlement,  
 4 AppleCare's Claim will be Allowed in the amount of \$6.3 million subject to an offset of  
 5 \$380,000 with respect to certain prepetition receivables Debtor contends are owed by AppleCare.  
 6 Debtor's motion to approve the AppleCare settlement was granted by order entered on May 26,  
 7 2011.

8 Good, ongoing relationships with the holders of the Risk Share Claims are of critical  
 9 importance to Debtor, as the physician members of these three medical groups are a major source  
 10 of patients admitted to the Hospital. For that reason, their Claims are separately classified from  
 11 the General Unsecured Claims and treated more favorably, to encourage them to help increase  
 12 revenues by sending patients to the Hospital.

13 The Risk-Share Claims shall be treated as follows:

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
6	Risk-Share Claims held by AppleCare, Alliance, and Pioneer  Filed amt = \$18.5 million  Est. Net Allowed Amt = \$[10.4] million, after \$380,000 in offsets to AppleCare's Claim	No	Yes	Class 6 Claims shall be paid:  <u>Initial Distribution:</u> 5% in cash [\$520,000] payable on the Effective Date (or as soon as practicable thereafter) or, for Disputed Claims, payment to be made on the Next Payment Date after the Claim is Allowed, after giving effect to AppleCare offsets.  <u>Installment Plan Payments:</u> (i) Interest-only annual cash payments at the Interest Rate, commencing on the first anniversary of the Effective Date;

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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
				<p>(ii) Quarterly Pro Rata principal payments in the aggregate amount of \$668,570, commencing in the 15<sup>th</sup> month and continuing until the 38<sup>th</sup> month after the Effective Date, for a total distribution of 48.5% of the Allowed amount of the Class 6 Claims, not to exceed \$5.044 million in the aggregate (including the Initial Distribution and the principal Installment Plan Payments). Reorganized Debtor shall have the right to prepay some or all of the Class 6 Installment Plan Payments Pro Rata at any time.</p> <p><b><u>Opportunities for Enhanced Distributions</u></b></p> <p><u>Alternative A: Additional Plan Payments:</u> As long as Reorganized Debtor remains a standalone entity, on an annual basis commencing on the first anniversary of the Effective Date, Reorganized Debtor will pay to holders of Allowed Class 5, Class 5A and Class 6 Claims their Pro Rata share of 50% of the amount by which Reorganized Debtor's EBIDA exceeds 11% of Reorganized Debtor's annual gross revenues for Reorganized Debtor's fiscal year. These Additional Plan Payments paid each year shall not exceed 10% of the aggregate Allowed amount of the Class 5, Class 5A and Class 6 Claims. To the extent that Additional Plan</p>

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>INSIDER</u> (Y/N)	<u>IMPAIRED</u> (Y/N)	<u>TREATMENT</u>
				<p>Payments are available, holders of Class 6 Claims may receive distributions up to 100% of the Allowed amount of their Claims.</p> <p><u>Alternative B: Sale Premium Payments</u></p> <p>If Reorganized Debtor ceases to operate as a standalone hospital as the result of a post-Effective Date acquisition, merger, or other transaction resulting in a change of control of Reorganized Debtor, holders of Class 6 Claims will be entitled to their remaining Installment Plan Payments due under the terms of the Plan, plus an additional 10 or 20% distribution over the remaining term of the Plan or five years, whichever is shorter, as set forth in Section III.D.8 below. The amount of Additional Plan Payments actually paid to Class 6 creditors shall be credited against Sale Premium Payments as they become due as set forth more fully in Section III.D.8 below.</p>

**7. Class of Interest Holders**

Interest holders are the parties who hold ownership interest (i.e., equity interest) in the Debtor. As a non-profit corporation under California law, Debtor has no Interest holders in the usual sense. Instead, Debtor's non-profit Parent is its sole corporate member. Parent will not receive any distribution on account of its interest in Debtor, but will retain its interest in Debtor unless a member substitution Transaction is implemented through the Plan.

1           **8.       Augmentation of Plan Payments and Availability of Sale Premium Payments**  
2           **Upon a Post-Effective Date Transaction**

3           If Reorganized Debtor ceases to operate as a standalone hospital as the result of a Post-  
4           Effective Date Transaction, holders of Class 5, 5A and 6 Claims will be entitled to Sale Premium  
5           Payments as set forth herein, instead of the Additional Plan Payments that would have been  
6           payable after the date of a Post-Effective Date Transaction by Reorganized Debtor operating as a  
7           standalone hospital.

8           Transaction with a For-Profit Entity: If Reorganized Debtor enters into a Post-Effective  
9           Date Transaction with a for-profit institution, then such for-profit institution shall (1) assume all  
10          of Reorganized Debtor's remaining obligations to make Installment Plan Payments under the  
11          Plan to holders of Allowed Claims in Classes 5, 5A and 6; (2) pay holders of Allowed Claims in  
12          Classes 5, 5A and 6 any accrued, unpaid amounts due for Installment Plan Payments or  
13          Additional Plan Payments; and (3) on an on-going basis, pay (a) the unpaid Installment Plan  
14          Payments as they come due under the Plan plus (b) additional Sale Premium Payments in the  
15          amount of 20% of the aggregate Allowed amount of their Claims, subject to offset by the amount  
16          of any Additional Plan Payments that may have accrued and been paid to date (the "**Aggregate**  
17          **Additional Plan Payments**"). Such Aggregate Additional Plan Payments shall be credited  
18          toward the amount of the first Sale Premium Payment that is due and payable and such  
19          successive Sale Premium Payments as they become due and payable until the Aggregate  
20          Additional Plan Payments balance is fully credited against Sale Premium Payments otherwise  
21          payable. Such Sale Premium Payments shall be paid over the remaining term of the Plan or five  
22          years, whichever is shorter.

23          Transaction with a Non-Profit Entity: If Reorganized Debtor enters into a Post-Effective  
24          Date Transaction with a non-profit institution, then such non-profit institution shall (1) assume  
25          all of Reorganized Debtor's remaining obligations to make Installment Plan Payments under the  
26          Plan to holders of Allowed Claims in Classes 5, 5A and 6, and (2) pay holders of Allowed  
27          Claims in Classes 5, 5A and 6 any accrued, unpaid amounts due for Installment Plan Payments  
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1 or Additional Plan Payments; and (3) on an on-going basis, pay (a) the unpaid Installment Plan  
2 Payments as they come due under the Plan plus (b) additional Sale Premium Payments in the  
3 amount of 10% of the aggregate Allowed amount of their Claims, subject to offset by the amount  
4 of any Additional Plan Payments that may have accrued and been paid to date. Such Sale  
5 Premium Payments shall be paid over the remaining term of the Plan or five years, whichever is  
6 shorter.

7 After the closing of a Post-Effective Date Transaction and payment upon closing of any  
8 accrued unpaid Installment Plan Payments and Additional Plan Payments then due, all rights to  
9 further Additional Plan Payments shall terminate. The Post-Confirmation Committee may waive  
10 or modify the foregoing rights to augmentation of Installment Plan Payments, Additional Plan  
11 Payments, or the Sale Premium Payments in its discretion.

12 **E. Means of Funding and Implementing the Plan**

13 Debtor intends to emerge from Chapter 11 as a reorganized, standalone nonprofit  
14 community hospital. The key components of the Plan funding and implementation consist of:  
15 (i) obtaining the RCB Financing in the gross amount of up to \$36.85 million (but with net  
16 proceeds of approximately \$29 million), which is secured by a first lien on substantially all of  
17 Debtor's assets other than the Dolan Property, and a second lien, subject to the liens securing the  
18 A/R Loan, on accounts receivable and related collateral; (ii) obtaining the A/R Loan in the  
19 amount of \$20 million, which is secured by a first lien on Debtor's accounts receivable and  
20 related collateral, and a second lien on substantially all of Debtor's other assets, subject to the  
21 liens securing the RCB Financing, that together with the RCB Financing will provide sufficient  
22 funds to pay the Bond Claims and other Effective Date Payments in full; (iii) completing the  
23 renegotiation of Debtor's contracts with the major insurance companies, so as to increase  
24 revenues (which process may be completed before the Effective Date); and (iv) paying creditors  
25 partly in cash on the Effective Date and partly in installment payments over a period of years.

26 As part of Debtor's efforts to obtain financing secured by the Hospital Facility, it learned  
27 that many potential lenders would only be interested if Debtor owned the fee simple interest –  
28

1 that is, if Debtor bought out the reversionary interest held by the City of Downey (the “**City**”) in  
2 the City Lease and, as sole owner of the land, could grant a mortgage lien on the land as well as  
3 on the Hospital Facility itself. Debtor thereupon proposed a buyout to the City. However, the  
4 City informed Debtor that it was not interested in selling its interest in the land under the  
5 circumstances. Of necessity, Debtor has instead arranged for the Exit Funding based upon,  
6 among other things, a pledge of Debtor’s interest in the City Lease, the subordination of the  
7 City’s interest in the City Lease to the Exit Lenders, and the granting of a first lien on its own fee  
8 interest in the underlying property. The City Lease mandates such subordination and pledge,  
9 because any lender looking to the Hospital Facility as collateral would need effective remedies if  
10 foreclosure ever becomes necessary.

11 Also in the process of seeking exit financing, Debtor learned that many potential sources  
12 of funding, such as health care REIT funds, would only be available after Reorganized Debtor  
13 completes its exit from the Chapter 11 case and establishes a significant period of solid post-  
14 bankruptcy financial performance. The only exit financing available to Debtor is quite  
15 expensive; post-bankruptcy sources of financing should be less expensive. Accordingly, Debtor  
16 has concluded that completing its bankruptcy case and exiting from Chapter 11 will both reduce  
17 its professional fees and other expenses and enable it to obtain more favorable financing terms  
18 within a couple of years. Debtor anticipates that it will refinance the RCB Financing before the  
19 related bonds final 2016 maturity date, and renegotiate rates with MidCap for an extension of its  
20 A/R Loan. If Debtor remains in Chapter 11, its professional expenses will remain substantial,  
21 and it will not be able to take advantage of post-bankruptcy financing opportunities. The  
22 resulting higher costs would impair Debtor’s ability to succeed in its financial turnaround.

23 Despite these transactional costs, the protections and tools of the Chapter 11 process have  
24 enabled Debtor to (a) obtain DIP loans so that it could continue until the credit markets  
25 recovered sufficiently to permit Debtor to obtain the Exit Funding, (b) negotiate significantly  
26 improved contract rates with its major health plans where the alternative was rejection of the  
27 contracts using the bankruptcy powers, (c) overhaul many of its financial, billing and collections  
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1 systems and practices to improve its revenue cycle, and (d) resolve major disputes with the  
2 Health Plan Loan Claim and Risk Share Claim holders among others, thereby reducing Debtor's  
3 outstanding debt by tens of millions of dollars. The structure of the Exit Funding (which defers  
4 principal payments to permit completion of necessary capital expenditures and the accelerated  
5 payments of the PacifiCare Health Plan Loan Claim and other assumed contracts), the benefit of  
6 improved revenues from the increased health plan rates, and the reduction of overall debt  
7 obligations will provide sufficient cash flow to enable Reorganized Debtor to remain competitive  
8 and to pay the Installment Plan Payments, Additional Plan Payments (if any), and Sale Premium  
9 Payments (if any) over time.

10 In the event of a Transaction, which Debtor does not intend to pursue unless Debtor is  
11 unable to close the RCB Financing and A/R Loan, the Exit Funding shall be provided by Buyer  
12 in an amount adequate to pay the Effective Date Payments; and shall include such additional  
13 committed working capital as Buyer may arrange and such other funds for capital expenditures  
14 as Buyer may be required to provide by the Attorney General pursuant to the consent of the  
15 Attorney General to the Transaction.

16 **1. Funding for the Plan**

17 **a. Closing Conditions for the Exit Funding**

18 The Exit Funding commitments received from RCB and MidCap are non-contingent, but  
19 remain subject to various closing conditions. Although final approval of the Exit Funding will  
20 take place prior to confirmation and the exact terms and conditions remain subject to negotiation  
21 in the final documentation for the RCB Financing and the A/R Loan, Debtor submits that the  
22 closing conditions can all be satisfied prior to closing unless waived by RCB and/or MidCap.  
23 The most significant of these conditions are addressed herein.

24 **(i) Consent by the Holders of the Bonds:**

25 The Majority Beneficial Holder of the existing Bonds and Wells Fargo have agreed to the  
26 RCB Financing proposal, subject to (i) appropriate documentation satisfactory to the Indenture  
27

1 Trustee and the Majority Beneficial Holder, including any amendments to the existing bond  
2 documents and delivery of opinions from Debtor's counsel or bond counsel that Wells Fargo and  
3 the Majority Beneficial Holder deem necessary, and (ii) an arrangement acceptable to RCB,  
4 Wells Fargo and the Majority Beneficial Holder to facilitate the redemption of such additional  
5 Bonds as are necessary in connection with the VCAP; provided, that such arrangement shall not  
6 obligate RCB to extend any credit to or for the benefit of Debtor or any other entity in addition to  
7 that which is specifically described in the RCB commitment. Similarly, Debtor and RCB are  
8 coordinating with CHFFA, the issuer of the Bonds. The proposed modifications to the indenture  
9 were presented and approved at CHFFA's June 13, 2011 meeting.

10 (ii) **Debtor Representations Regarding the Tax-Exempt Status of**  
11 **the Bonds:**

12 RCB requires Debtor to make certain representations to provide assurance regarding the  
13 tax-exempt status of the Bonds prior to their purchase by RCB. Debtor has negotiated the terms  
14 of these representations with RCB, and has delivered or will deliver all of the other requested  
15 materials.

16 (iii) **Completion of Transaction Documents and Closing of Exit**  
17 **Funding:**

18 The definitive documentation, legal opinions, authorizing resolutions, and new disclosure  
19 documents required for the RCB Financing are being contemporaneously negotiated and  
20 prepared by Debtor and RCB, subject to the review and consent of Wells Fargo and the Majority  
21 Beneficial Holder, and will be completed prior to closing. Debtor does not expect any obstacles  
22 in complying with these conditions, and the parties have already taken substantial steps in the  
23 preparation of all necessary documentation. Similarly, concurrent closing of the two Exit  
24 Funding tranches is necessary for satisfying Debtor's Effective Date obligations, and Debtor  
25 expects both to close in a timely manner in conjunction with confirmation of the Plan.

**(iv) Completion of Required Intercreditor Agreements:**

The necessary intercreditor agreements are being negotiated between and among RCB, MidCap and Apollo as part of the final documentation of the Exit Funding..

**(v) Subordination and Pledge of the City’s Leasehold Interest:**

RCB and MidCap require that the City subordinate its interest in the City Lease to the Exit Funding, and grant liens on its own fee interest in the underlying property. The City Lease mandates the subordination and pledge, because it anticipated that any lender looking to the Hospital Facility as collateral would need effective remedies if foreclosure ever becomes necessary. Debtor and RCB are working together on the necessary forms of subordination and pledge agreements, and expect to complete such documentation and negotiation with the City prior to the confirmation hearing. No referendum is required for the City’s approval, and Debtor also does not believe that City Council approval is required. If the City does require Council approval, there should be sufficient time prior to closing to obtain it. RCB has further requested representations from the City regarding the ownership of the underlying property and the absence of other leaseholds, which if not provided by the City, can be covered by additional title insurance.

**(vi) Confirmation of a Plan Acceptable to RCB and MidCap and Satisfaction of Conditions Prior to Effective Date:**

While confirmation is of course still pending, Debtor expects that the Plan (if amended, subject to RCB and MidCap’s consent) will be confirmed and the conditions to the Effective Date will be satisfied prior to closing. Debtor also does not foresee any adverse change in circumstances prior to closing that would prevent these conditions from being satisfied.

**(vii) Cash on Hand After Confirmation of the Plan:**

MidCap separately requires as of the Effective Date, on a pro forma basis after payment in full of all Allowed Administrative Expense Claims (including professional fees), that Reorganized Debtor have unrestricted cash on hand (excluding cash held in certain loan reserves and withheld for taxes, deposits, accrued insurance expenses, workers’ compensation payables

1 and other designated expenses or obligations) in an amount equal to at least \$5,000,000. Based  
2 upon its current projections and the simultaneous closing of the RCB Financing on the Effective  
3 Date, this condition will be satisfied.

4 **(viii) Maintenance of Licenses, Provider Numbers, and Third Party**  
5 **Pavor Contracts:**

6 MidCap also requires that Debtor maintain all licenses and Medicaid, Medicare and  
7 commercial insurance company provider numbers and participation agreements in full force and  
8 effect after the Effective Date. Debtor has maintained such items during the course of the Case,  
9 and does not foresee any change in circumstances prior to closing that would prevent this  
10 condition from being satisfied.

11 **b. The Effective Date Payments**

12 The Exit Funding will (i) provide funds to or on behalf of the Debtor on the Effective  
13 Date in an amount equal to the following: (a) all principal, interest and other amounts, if any,  
14 due or outstanding under the MidCap DIP Loan and the MidCap Cash Collateral Order, as of  
15 the Effective Date; and (b) the other Effective Date Payments; and (ii) provide sufficient  
16 working capital and funds for capital expenditures.

17 The Effective Date Payments are estimated in the aggregate amount of \$37.432  
18 million, as follows: (i) the principal, interest and other amounts, if any, then outstanding  
19 under the MidCap DIP Loan and the MidCap Cash Collateral Order, estimated at \$11  
20 million; (ii) the estimated \$17 million balance (inclusive of principal, interest, and accrued  
21 fees) due on the Bonds (\$9.73 million net if the Bond Funds held as of the Effective Date are  
22 applied to the Bond Claims), which includes any Adequate Protection Payments (as such  
23 term is defined in the HFG Cash Collateral Orders and the MidCap Cash Collateral Order)  
24 that have not otherwise been paid by the Effective Date for Wells Fargo's fees and expenses  
25 and any payments of principal, interest, or charges necessary to bring the Bonds current as of  
26 the Effective Date; (iii) all Administrative Expense Claims estimated at an aggregate of \$8.5  
27 million (other than Ordinary Course Administrative Expenses that have been paid by Debtor  
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1 in the ordinary course of business or that will be paid by Reorganized Debtor after the  
2 Effective Date), consisting of (w) any Accrued General Administrative Expenses (estimated  
3 to be approximately \$500,000), (x) accrued professional fees and expenses (estimated to be  
4 approximately \$7,000,000), and (y) 503(b)(9) Claims (approximately \$1,000,000); (iv) all  
5 Allowed Priority Claims (not quantified, but estimated at \$200,000); (v) 50% of the  
6 Convenience Claims, totaling about \$1.2 million; (vi) Cure Payments, which shall include  
7 cure amounts payable to Siemens and amounts reserved for Disputed Cure Payments and  
8 Disputed Administrative Claims, but excluding Health Plan Loan Claim Cure Payments that  
9 are payable pursuant to the terms of the stipulated orders approving the Assumed Health Net  
10 and PacifiCare Agreements (with all such included Cure Payments and reserves estimated in  
11 the aggregate to be \$3,300,000); (vii) settlement payments with respect to the Allowed  
12 Administrative Claims of PIH and Cymetrix due on the Effective Date (\$872,000); (viii)  
13 Initial Distributions to Allowed Claims in Classes 5 and 6 (estimated at \$2.02 million); (ix)  
14 initial funding for the Plan Trust (\$200,000); and (x) fees payable to the Clerk's Office  
15 (estimated at \$10,000) and the U.S. Trustee (estimated at \$30,000).

16 The Effective Date Payments shall be paid from the proceeds of the Exit Funding.

17 **c. Working Capital Financing**

18 The Exit Funding will provide an estimated \$10 million in working capital for its  
19 operation of the Hospital Facility after the Effective Date. In the event of a Transaction, Buyer  
20 shall either provide or arrange for a third party lender to provide sufficient working capital to  
21 satisfy any requirement of the Attorney General.

22 The actual amount of working capital availability will depend on a number of factors that  
23 are not yet fully determined, including without limitation the precise balance of the MidCap DIP  
24 Loan to be repaid on the Effective Date, the reserves that MidCap will require under the A/R  
25 Loan, the final borrowing base formula under the A/R Loan, and additional Administrative  
26 Expenses that may be incurred between now and the Effective Date. For the purposes of  
27 projecting working capital availability, Debtor has estimated that these factors could require the  
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1 application of an additional \$1,000,000 of the Exit Funding proceeds, after payment of the  
2 Effective Date Payments described above. However, Debtor expects that the actual amount of  
3 these additional payments from the Exit Funding proceeds, if any, will be far less. Even under  
4 this scenario, the Exit Funding proceeds provide approximately \$10 million in working capital  
5 financing, as follows:

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Sources of Cash from Exit Funding	Amount	Uses of Exit Funding Cash	Amount
RCB Financing	\$29 million (net)	Repayment of MidCap DIP Loan	[\$11] million
A/R Loan	\$20 million	Administrative Expense Claims	[\$8.5] million
		Class 1 Priority Claims	[\$200,000]
		Class 2A Secured Claims of Wells Fargo and CHFFA	[\$9.73] million
		Class 4 Convenience Class Claims	[\$1.2] million
		Class 5 and Class 5A General Unsecured Claims (Not Otherwise Classified)	[\$1.5] million
		Class 6 Risk Share Claims	[\$520,000]
		Cure Payments and reserves	[\$3.3] million
		Allowed Administrative Claims of PIH and Cymetrix	\$872,000
		Initial Funding for Plan Trust	\$200,000
		Clerk and U.S. Trustee Fees	[\$40,000]
<b>TOTAL</b>	<b>\$49 million</b>		<b>[\$37.062] million</b>
<b>Net Exit Funding proceeds after Effective Date Payments:</b>			<b>[\$11.938] million</b>
<b>Allowance for Additional Payments from Exit Funding:</b>			<b>\$1 million</b>
<b>NET WORKING CAPITAL BALANCE:</b>			<b>[\$10.938] million</b>

**d. Payments to Class 2 Secured Creditors**

The Class 2A Bond Claims shall be paid in full on the Effective Date. As part of the proposed Exit Funding, Debtor may elect to purchase the Bonds in lieu of redemption and re-sell

1 them to RCB, or re-fund or re-issue the Bonds for purchase by RCB. Under all circumstances,  
2 the current Bond holders will be paid in full on the Effective Date.

3 Class 2B, Apollo, shall be assumed and (i) provided with a first priority lien on the Dolan  
4 Property (appraised at \$1.7 million, and the subject of a pending sale to Olson at a purchase price  
5 of \$2.1 million) and a third priority lien on Reorganized Debtor's accounts receivable, subject  
6 only to the liens with respect to the Exit Funding; (ii) be fully amortized and paid over two years  
7 in quarterly payments by Reorganized Debtor, with the first payment due on the Effective Date.  
8 If the Dolan Property is sold by Debtor, the proceeds of such sale shall be applied to repay the  
9 Apollo Claim. In the event of an uncured payment default on Apollo's quarterly payments,  
10 Apollo shall be required first to exhaust all available remedies only with respect to its lien on the  
11 Dolan Property. If, and only if, the foreclosure sale proceeds of the Dolan Property are  
12 insufficient to satisfy Apollo's remaining Claim, Apollo shall be permitted to enforce any  
13 remedies against Reorganized Debtor's accounts receivable, subject to the terms of an  
14 intercreditor agreement among Apollo and the Exit Lenders.

15 Class 2C equipment leases shall be assumed, replacement liens shall be granted in the  
16 collateral, and the leases paid according to their terms by Reorganized Debtor.

17 **e. Plan Payments for Classes 5, 5A and 6**

18 From and after the Confirmation Date, Reorganized Debtor will (i) pay Apollo directly  
19 with respect to the Apollo Claim, (ii) pay the contract counter parties directly with respect to the  
20 equipment lease and other assumed contract obligations as they come due, (iii) honor the  
21 Assumed PTO Claims as PTO is used by employees in the ordinary course of business, and  
22 (iv) pay the Installment Plan Payments and Additional Plan Payments (if any) to the Plan Trustee  
23 as they come due. In the event of a Post-Effective Date Transaction, any Installment Plan  
24 Payments or Additional Plan Payments due at closing, as well as the post-closing Installment  
25 Plan Payments and the Sale Premium Payments, will all be payable to the Plan Trustee by the  
26 acquiring entity. Prepayments in whole or in part are permitted and shall not constitute nor  
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1 require modification of the Plan, provided that prepayments shall be made Pro Rata with respect  
2 to Claims in Classes 5, 5A and 6.

3 **2. Post-Confirmation Management**

4 Reorganized Debtor (or Buyer, as applicable) will provide the management for the  
5 Hospital after the Effective Date. The senior officers of Reorganized Debtor are expected to be:

- 6 • Kenneth Strople will continue in his role as CEO.
- 7 • Rob Fuller will continue in his role as COO.
- 8 • Galen Gorman will continue as CFO.

9 After review and analysis of the senior officers' employment contracts, Debtor has  
10 determined that amendments to the contracts are necessary to conform them to tax law  
11 requirements regarding employee benefit plans and severance benefits. Moreover, pursuant to  
12 principles adopted by the compensation committee of Debtor's Board, the senior officers' post-  
13 confirmation performance incentives will be linked to Reorganized Debtor's success in making  
14 payments to creditors in accordance with the terms of the Plan. To accommodate these  
15 contractual changes and new governing principles, Debtor expects to amend the senior officers'  
16 employment contracts and assume these contracts in conjunction with confirmation of the Plan.  
17 Subject to the foregoing, the terms and conditions of the senior officers' employment contracts  
18 will be set forth in the Supplemental Schedules to be filed on or before the Exhibit Filing Date.

19 For Reorganized Debtor, the new board members will have staggered terms: three will  
20 appointed for three-year terms, three for two-year terms, and three for one-year terms. The full  
21 board for Reorganized Debtor will be set forth in the Supplemental Schedules.

22 **3. The Disbursing Agent, Plan Trustee, and the Post-Confirmation Committee**

23 The Plan Trustee shall act as the disbursing agent for the purpose of making the Initial  
24 Distributions, Installment Plan Payments, Additional Plan Payments (if any), and Sale Premium  
25 Payments (if any) to Classes 5, 5A and 6. Wells Fargo or its designee shall act as the disbursing  
26 agent for the purpose of making the Effective Date payments to holders of Bonds in Class 2.

1 A Post-Confirmation Committee shall be appointed effective upon the Effective Date.  
2 The members of the Post-Confirmation Committee shall be chosen by the Creditors' Committee  
3 and shall consist of three creditors who are members of the Creditors' Committee as of thirty  
4 days prior to the Effective Date. The members of the Post-Confirmation Committee shall be  
5 holders of Allowed prepetition, unsecured Claims in Classes 5 or 6. The Creditors' Committee  
6 shall provide written notice of the appointed members of the Post-Confirmation Committee to  
7 Debtor no later than ten days prior to the hearing on confirmation of the Plan. The members of  
8 the Post-Confirmation Committee shall be identified in the Confirmation Order.

9 The Plan Trustee and the Post-Confirmation Committee shall serve without a bond.  
10 The Plan Trustee and the Post-Confirmation Committee are authorized to employ attorneys  
11 and/or other professionals as appropriate to discharge their duties without need for Bankruptcy  
12 Court approval. Members of the Post-Confirmation Committee shall be entitled to  
13 reimbursement of out-of-pocket costs incurred in the course of the performance of their duties.

14 The Plan Trustee shall receive two forms of compensation: (1) fees calculated based upon  
15 the hourly rate that is his or her customary rate for rendering such services, subject to the  
16 approval of the Post-Confirmation Committee; and (2) an amount equal to 1% of the  
17 distributions made by the Plan Trustee under the Plan, calculated on an annual basis.

18 Compensation to the Plan Trustee and the professionals employed by the Plan Trustee shall be  
19 funded from an initial \$200,000 retainer (the "**Initial Retainer**") to be deposited in trust with the  
20 Plan Trustee no later than five court days following the Effective Date. The Post-Confirmation  
21 Committee and the professionals engaged by the Post-Confirmation Committee shall be paid and  
22 reimbursed from the annual deposits of \$50,000 paid to the Plan Trustee (each an "**Annual Fee**  
23 **Deposit**"). The first Annual Fee Deposit shall be due 60 days after the Effective Date.

24 Thereafter, each succeeding Annual Fee Deposit shall be due on the anniversary date of the  
25 Effective Date, commencing with the first anniversary date of the Effective Date. The Annual  
26 Fee Deposits shall be made in each year within which creditors in Classes 5, 5A and 6 continue  
27 to be due distributions under the Plan. In the event of a Post-Effective Date Transaction at any

1 time after the Effective Date, the Annual Fee Deposits for the current calendar year not yet paid  
2 and the Annual Fee Deposits for the following three calendar years shall be accelerated and due  
3 upon the close of the Post-Effective Date Transaction; provided, however, that the Annual Fee  
4 Deposits then due will not exceed \$200,000. Any remaining Annual Fee Deposits applicable to  
5 Plan years occurring after the three years paid in advance shall be paid in the ordinary course.  
6 In the event Reorganized Debtor ceases substantially all of its operations, the Annual Fee  
7 Deposit for the current calendar year not yet paid and the Annual Fee Deposits for the following  
8 calendar year shall become due immediately upon the shutdown of substantially all of its  
9 operations. In addition to the Initial Retainer and Annual Fee Deposits, the Plan Trustee may  
10 surcharge the Installment Plan Payments, Additional Plan Payments, and Sale Premium  
11 Payments received from Reorganized Debtor to the extent necessary to pay reasonable and  
12 necessary fees and expenses of professionals engaged by either the Plan Trustee or the Post-  
13 Confirmation Committee. Any unused portion of the Initial Retainer and the Annual Fee  
14 Deposits shall be added to the final distribution under the Plan for Pro Rata distribution to  
15 creditors in Classes 5, 5A and 6.

16 The Initial Retainer shall be included in the Administrative Expense Claims to be paid by  
17 Reorganized Debtor on the Effective Date. Any funds received by the Plan Trustee shall be  
18 maintained in segregated, interest bearing bank accounts. Professionals employed by the Plan  
19 Trustee and the Post-Confirmation Committee shall be compensated based on their customary  
20 rates and terms on a monthly basis without need for Court approval of fees and expenses.  
21 Professionals employed by the Plan Trustee and the Post-Confirmation Committee shall submit  
22 monthly bills to both the Plan Trustee and the Post-Confirmation Committee in the ordinary  
23 course of the professionals' billing practices. The Plan Trustee and the Post-Confirmation  
24 Committee shall have ten calendar days to object to the payment of the fees and expenses  
25 provided in such billings (the "**Fee Objection Date**"). If no written objection by the Plan  
26 Trustee or the Post-Confirmation Committee is received by the respective professional(s) by the  
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1 Fee Objection Date, then such fees shall be paid in the full amount requested without need for  
2 further review or authorization.

3 As soon as practicable after the Effective Date, the Post-Confirmation Committee shall  
4 have the right to adopt and be governed by by-laws that are customary for post-confirmation  
5 committees. The Post-Confirmation Committee shall have general supervisory authority over  
6 the Plan Trustee, and the Plan Trustee shall report to the Post-Confirmation Committee as to the  
7 status of the matters within the responsibility of the Plan Trustee at such intervals and in such  
8 forms as reasonably requested by the Post-Confirmation Committee. The Plan Trustee will also  
9 be required to do the following upon the receipt of written instruction from the Post-  
10 Confirmation Committee: (1) commence or continue to prosecute litigation with respect to any  
11 Trust Causes of Action; (2) propose, accept or reject any settlement proposals with respect to any  
12 Trust Causes of Action; (3) propose, accept or reject any settlement proposals with respect to any  
13 claim asserted against the assets distributable from the Plan Trust under the Plan arising out of  
14 the post-confirmation administration of the Plan Trust; (4) make disbursements in accordance  
15 with the terms of the Plan if they have not been timely made by the Plan Trustee; and  
16 (5) perform such other reasonable and necessary acts in order to carry out the terms of the Plan  
17 and/or which are in the best interests of Classes 5, 5A and 6 if such does not violate any  
18 provision of the Plan. Notwithstanding the foregoing, the Post-Confirmation Committee, at its  
19 option, may enforce the provisions of the Plan in the place of the Plan Trustee.

20 The Post-Confirmation Committee shall have the authority to remove and/or replace the  
21 Plan Trustee for cause shown. After one year from the Effective Date, the Post-Confirmation  
22 Committee shall have sole and unfettered discretion to replace the Plan Trustee upon thirty days'  
23 written notice to the Plan Trustee without cause. In the event the Post-Confirmation Committee  
24 removes the Plan Trustee, the Post-Confirmation Committee shall use all commercially  
25 reasonable efforts to appoint a substitute Plan Trustee, which subsequent Plan Trustee shall be  
26 compensated at his/her customary rate. Each Plan Trustee appointed after the initial Plan Trustee  
27 is chosen shall be subject to removal by the Post-Confirmation Committee upon thirty days'

1 written notice without cause. In the event a suitable substitute Plan Trustee cannot be found, the  
2 Post-Confirmation Committee shall consult with the U.S. Trustee's office with respect to  
3 appointing a successor Plan Trustee, and if no successor Plan Trustee is willing to serve, the  
4 Post-Confirmation Committee may assume the responsibilities of the Plan Trustee under the  
5 Plan. Any successor Plan Trustee shall be qualified to serve as a Plan Trustee only if such  
6 Trustee has served as a chapter 7 or chapter 11 trustee in the United States Bankruptcy Court for  
7 the Central District of California, or otherwise meets the approval of the U.S. Trustee for the  
8 Central District of California. In no event shall the Post-Confirmation Committee serve in place  
9 of the Plan Trustee until the Post-Confirmation Committee has exhausted all good faith efforts to  
10 find a replacement Plan Trustee within the requirements of this section.

11 For the appropriate functions of the Plan Trust, upon reasonable notice, the Plan Trustee  
12 shall have access to all books, records, and employees of Debtor for the functions of the Plan  
13 Trust. The Plan Trustee shall also have the authority and obligation to enforce the terms of the  
14 Plan if payments to the Plan Trustee are not made as required under the Plan.

15 The Post-Confirmation Committee shall have the right to receive (i) the same financial  
16 and other information provided to Reorganized Debtor's board of directors, which shall be  
17 handled confidentially among the Post-Confirmation Committee's members and professionals,  
18 although summaries may be shared with creditors who have not yet been paid their distribution  
19 under the Plan; and (ii) regular financial reporting to the same extent provided to the Exit  
20 Lenders

21 The Post-Confirmation Committee is authorized to appoint one observer (the  
22 "**Observer**") who will be authorized to attend all meetings of the board of directors for  
23 Reorganized Debtor, its Parent or any affiliate of Reorganized Debtor. The Observer shall be an  
24 individual who would be eligible under applicable law to be a director of Reorganized Debtor,  
25 but the Observer shall not be a director of Reorganized Debtor, its Parent or any affiliate of  
26 Reorganized Debtor. The Observer shall not have rights regarding management of the Hospital  
27 or any voting or speaking privileges at board meetings attended. Reorganized Debtor will not  
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1 exclude the Observer from board meetings discussions or have special meetings of the board that  
2 may exclude the Observer, except for executive sessions dealing with personnel or other matters  
3 from which the general members of Reorganized Debtor's board are also excluded. The  
4 Observer shall be authorized to report to the Post-Confirmation Committee with respect to such  
5 board meetings. The Post-Confirmation Committee will cooperate as appropriate with  
6 Reorganized Debtor and its affiliates with respect to the reasonable requests for confidentiality of  
7 the information obtained by the Observer.

8 In the event Reorganized Debtor executes any letter of intent, memorandum of  
9 understanding or other document regarding a proposed Post-Effective Date Transaction,  
10 Reorganized Debtor will, immediately after the execution of any such document (1) use its best  
11 efforts to provide the Post-Confirmation Committee with access to the potential counter-party  
12 once any such document is executed; and (2) provide to the Post-Confirmation Committee  
13 (i) access to all due diligence information made available to the counter-party and (ii) all material  
14 exchanged between Reorganized Debtor and the counter-party, so long as the Post-Confirmation  
15 Committee executes usual and customary non-disclosure agreements as reasonably requested by  
16 Reorganized Debtor.

17 The rights and duties of the Post-Confirmation Committee set forth herein shall terminate  
18 on the terms and conditions to be established in the Plan Trust Agreement.

19 **4. Assignment of Trust Causes of Action**

20 Debtor shall irrevocably assign, transfer, and convey to the Plan Trust all of its rights,  
21 title and interest to the Trust Causes of Action. Subject to the provisions of III.E.3., above,  
22 regarding oversight and authority of the Post-Confirmation Committee with respect to matters  
23 undertaken by the Plan Trustee, the Plan Trustee shall have the standing and authority to initiate,  
24 prosecute, compromise or otherwise resolve any and all Trust Causes of Action, with all  
25 recoveries derived therefrom to be distributed Pro Rata among the holders of Allowed Claims in  
26 Classes 5, 5A and 6 under the Plan. Any and all fees, costs and expenses incurred in respect of  
27 the investigation, initiation and prosecution of the Trust Causes of Action, including the  
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1 reasonable fees, costs and expenses incurred in connection with such litigation, shall be payable  
2 and paid from the Plan Trust assets, except not from the Annual Fee Deposits defined in Section  
3 III.E.3, without need for Court approval. The Trust Causes of Action transferred to the Plan  
4 Trust shall be transferred to and vested in the Plan Trust free and clear of all liens, claims, and  
5 interests, subject only to the rights of the beneficiaries of the Plan Trust to be paid from the  
6 proceeds thereof, and the Plan Trust shall own and manage such assets in accordance with the  
7 provisions of the Plan and the Plan Trust Agreement. The Bankruptcy Court shall have non-  
8 exclusive jurisdiction to hear and determine any litigation commenced with respect to the Trust  
9 Causes of Action and such litigation is integral to creditor treatment and consummation of the  
10 Plan.

11 **F. Objections to Claims**

12 Prior to the Effective Date, Debtor will seek to resolve as many disputes or objections to  
13 Claims as possible. After the Effective Date, Reorganized Debtor will have the authority and  
14 obligation to review, compromise, and object to any Claims. Reorganized Debtor will: (i) have  
15 the authority, without Bankruptcy Court approval, to compromise, release or settle any Claim  
16 where the Claim has an asserted face value of \$200,000 or less; (ii) have authority, without  
17 Bankruptcy Court approval but with consent and upon notice to the Plan Trustee and the Post-  
18 Confirmation Committee, to compromise, release or settle any Claim where the Claim has an  
19 asserted face value of \$201,000 to \$500,000; and (iii) be required to seek an order of the  
20 Bankruptcy Court approving the compromise, release or settlement of any Claim that has an  
21 asserted value of greater than \$500,000, with notice and opportunity for hearing required with  
22 respect to such compromise, release or settlement.

23 **G. Special Issues Regarding Insured Claims**

24 Under the terms of Debtor's various insurance policies, Debtor may owe deductible  
25 amounts on account of Insured Claims for personal injury and medical malpractice. After the  
26 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an  
27 earlier date), holders of Insured Claims may proceed with litigation in appropriate non-  
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1 bankruptcy forums to liquidate the Insured Claims, but they shall be enjoined by the injunction  
2 established by the Confirmation Order from commencing or continuing any enforcement action  
3 to collect such Claim against the estate except in conformity with the Bankruptcy Code's claim  
4 adjudication procedures.

5 Subject to the foregoing, distributions under the Plan to each holder of an Allowed  
6 Insured Claim shall be in accordance with the treatment provided under the Plan for Class 5A,  
7 but solely to the extent that such Allowed Insured Claim is within Debtor's self-insured retention  
8 amounts, which range from \$50,000 to \$250,000 per occurrence, depending on the nature of the  
9 claim and the applicable insurance policy. Amounts in excess of the applicable self-insured  
10 amount shall be recoverable only from the available insurance and Debtor shall be discharged to  
11 the extent of any such excess. Further, the Plan shall not expand the scope of, or alter in any  
12 other way, the rights and obligations of Debtor's insurers under their policies, and Debtor's  
13 insurers shall retain any and all defenses to coverage that such insurers may have, including the  
14 right to contest and/or litigate with any party, including Debtor, the existence, primacy and/or  
15 scope of available coverage under any alleged applicable policy. The Plan shall not operate as a  
16 waiver of any other Claims that Debtor's insurers have asserted or may assert in any proof of  
17 Claim or Debtor's rights and defenses to such proofs of Claim.

18 **H. Distributions of Property Under the Plan**

19 The following procedures set forth in the Plan apply to distributions made pursuant to the  
20 Plan whether by (i) Debtor (or Buyer, if applicable) as to the Effective Date Payments, or (ii) the  
21 Plan Trustee as to all post-Effective Date distributions received from Reorganized Debtor or  
22 Buyer (each of Reorganized Debtor, the Plan Trustee, or Buyer, a "**Distributing Party**").  
23 In connection with the Plan, to the extent applicable, the Distributing Party shall comply with all  
24 tax withholding and reporting requirements imposed on it by any governmental unit, and all  
25 distributions pursuant to the Plan shall be subject to such withholding and reporting  
26 requirements.



1           **4. Undeliverable and Unclaimed Distributions**

2           If the distribution to the holder of any Allowed Claim is returned as undeliverable, no  
3 further distribution shall be made to such holder unless and until the Distributing Party is notified  
4 in writing of such holder's then current address. Subject to the other provisions of the Plan,  
5 undeliverable distributions shall remain in the possession of the Distributing Party pursuant to  
6 this Section until such time as a distribution becomes deliverable. All undeliverable cash  
7 distributions will be held in unsegregated, interest-bearing bank accounts for the benefit of the  
8 entities entitled to the distributions. These entities will be entitled to any interest actually earned  
9 on account of the undeliverable distributions. The bank account will be maintained in the name  
10 of the Distributing Party, but it will be accounted for separately.

11           Any holder of an Allowed Claim who does not assert a Claim in writing for an  
12 undeliverable distribution within one year after the date such distribution was due shall no longer  
13 have any Claim to or interest in such undeliverable distribution, and shall be forever barred from  
14 receiving any distributions under this Plan, or from asserting a Claim against the Debtor, the Plan  
15 Trust, or their respective property, and the Claim giving rise to the undeliverable distribution will  
16 be discharged.

17           Nothing contained in the Plan shall require the Distributing Party to attempt to locate any  
18 holder of an Allowed Claim.

19           **5. Estimation of Disputed Claims for Distribution Purposes**

20           Debtor (on or before the Effective Date), or the Reorganized Debtor, or Buyer (in the  
21 event of a Transaction) may move for a Court order estimating any Disputed Claim.  
22 The estimated amount of any Disputed Claim so determined by the Court shall constitute the  
23 maximum recovery that the holder thereof may recover after the ultimate liquidation of its  
24 Disputed Claim, irrespective of the actual amount ultimately Allowed.

25           **6. Possible Cancellation of Bonds and Bond Documents**

26           If the Bonds do not remain outstanding and the Bond Claims are paid in full as provided  
27 herein, then as of the Effective Date, the Bonds shall be deemed cancelled without further action  
28

1 by any party, and the Bonds and related Bond Documents shall continue in effect solely to the  
2 extent they relate to and are necessary to (i) allow applicable distributions pursuant to this Plan,  
3 (ii) permit Wells Fargo to be compensated for fees and reimbursed for expenses of its  
4 professionals, assert its charging lien, and enforce its indemnity and other rights and protections  
5 with respect to and pursuant to the Bond Documents, (iii) permit Wells Fargo to set one or more  
6 record dates and distribution dates with respect to the distribution of funds to beneficial holders  
7 of the Bonds, (iv) permit Wells Fargo to appear in the Case with respect to matters relevant to  
8 the Bonds, (v) otherwise continue to govern relationships of Wells Fargo and the holders of the  
9 Bonds, and (vi) permit Wells Fargo to perform any functions that are necessary in connection  
10 with the foregoing clauses (i) through (v); provided that nothing in the Plan shall deprive Wells  
11 Fargo of standing to enforce the terms of the Plan with respect to its Allowed Claim.

12 **I. Full Satisfaction**

13 The Distributing Party shall make, and each holder of a Claim shall receive, the  
14 distributions provided for in the Plan for full satisfaction and discharge of such Claim.

15 **J. Setoff, Recoupment, and Other Rights**

16 Reorganized Debtor will retain all rights with respect to setoff, recoupment, assertion of  
17 counterclaims or withholdings against the distributions to be made pursuant to this Plan on  
18 account of any claims that Debtor or the Estate (or the Plan Trust as successor to the Estate) may  
19 have against the entity holding an Allowed Claim; provided, however, that neither the failure to  
20 effect such a setoff or recoupment, nor the allowance of any Claim against Debtor, nor any  
21 partial or full payment during the Cases or after the Effective Date in respect of any Allowed  
22 Claim, shall constitute a waiver or release by Debtor or the Estate of any claim that they may  
23 possess against such holder.

24 **K. Conditions to Effectiveness**

25 The Plan shall not become binding unless and until the Effective Date occurs. The  
26 Effective Date is the first Business Day (a) that is at least fourteen days after the Confirmation  
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1 Date; (b) on which no stay of the Confirmation Order is in effect; and (c) on which all of the  
2 following conditions have been satisfied as set forth below or waived:

3 **1. Conditions**

4 a) The Confirmation Order shall have become a Final Order;

5 b) The Exit Funding shall be in full force and effect and all conditions therein  
6 to the obligations of the parties to the Exit Funding will have been satisfied or waived as  
7 set forth in the Exit Funding documents (and Debtor shall not waive such condition  
8 without the express written consent of Wells Fargo); and

9 c) All other documents, agreements, writings and undertakings required  
10 under the Plan shall be executed and ready for consummation, including the Transaction  
11 Documents, if a Transaction is to be implemented.

12 Debtor shall mail a "Notice of Occurrence of Effective Date" to all creditors and interest  
13 holders of record as of the date of entry of the Confirmation Order.

14 **2. Waiver of Conditions**

15 Except as otherwise specified herein, the requirement that the conditions to the  
16 occurrence of the Effective Date be satisfied may be waived in whole or in part, and the time  
17 within which any such conditions must be satisfied may be extended, by Debtor. The failure to  
18 timely satisfy or waive any of such conditions may be asserted by Debtor regardless of the  
19 circumstances giving rise to the failure of such condition to be satisfied, including any action or  
20 inaction by Debtor. The failure of Debtor to exercise any of the foregoing rights shall not be  
21 deemed a waiver of any other rights and each such right shall be deemed ongoing and subject to  
22 assertion at any time.

23 **L. Authorization of Entity Action**

24 Each of the matters provided for under this Plan involving the entity structure of Debtor  
25 or entity action to be taken by or required of Debtor shall, as of the Effective Date, be deemed to  
26 have occurred and be effective as provided herein, and shall be authorized, approved and, to the  
27

1 extent taken prior to the Effective Date, ratified in all respects without any requirement of further  
2 action by creditors or directors of Debtor.

3 **M. Reservation of Fair and Equitable (Cram Down) Power**

4 Debtor reserves the right to confirm this Plan as to any impaired Class that does not  
5 accept the Plan by the requisite number of votes pursuant to the fair and equitable power of  
6 Bankruptcy Code § 1129(b).

7 **IV. TREATMENT OF MISCELLANEOUS ITEMS**

8 **A. Assumption of Executory Contracts and Unexpired Leases**

9 **1. Assumptions**

10 On the Effective Date, Reorganized Debtor shall assume the Apollo debt and all  
11 executory contracts and unexpired leases of Debtor listed on the Schedule of Assumed  
12 Agreements (which shall include the Mandatory Assumed Contracts), which is to be filed by the  
13 Assumption Schedule Filing Date. Any contract or lease not included on the Schedule of  
14 Assumed Agreements, as it may be amended prior to the Effective Date, shall be deemed to have  
15 been rejected pursuant to Bankruptcy Code § 365. The Schedule of Assumed Agreements will  
16 identify separately (i) the executory contracts and unexpired leases that Debtor will assume on  
17 the Effective Date, and (ii) any contracts or agreements that Debtor does not believe qualify as  
18 “executory” contracts but that Debtor intends to remain in effect, such as billing or service  
19 arrangements that do not actually impose any performance obligations on either party. Subject  
20 to the requirement to assume certain Mandatory Assumed Contracts, and if there is no  
21 Transaction, Debtor reserves the right to amend the Schedule of Assumed Agreements at any  
22 time after the Assumption Schedule Filing Date and prior to the Effective Date to: (a) delete any  
23 executory contract or unexpired lease and provide for its rejection under the Plan or otherwise,  
24 except that Mandatory Assumed Contracts shall not be deleted, or (b) add any executory contract  
25 or unexpired lease and provide for its assumption under the Plan. Debtor will provide notice of  
26 any amendment to the Schedule of Assumed Agreements to the party or parties to the agreement  
27 affected by the amendment. The Confirmation Order will constitute a Court order approving the  
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1 assumption, on the Effective Date, of all executory contracts and unexpired leases identified on  
2 the Schedule of Assumed Agreements, as it may be amended prior to the Effective Date, subject  
3 to the requirement that Debtor must reserve amounts for Disputed Cure Payments in the full  
4 amounts claimed by objecting contract counterparties. To the extent there is any inconsistency  
5 between the Plan or the Confirmation Order and the language of a Mandatory Assumed Contract,  
6 the language of the Mandatory Assumed Contract shall control.

7 **2. Cure Payments**

8 Any monetary amounts by which each executory contract and unexpired lease to be  
9 assumed is in default shall be satisfied, pursuant to Bankruptcy Code § 365(b)(1), by payment of  
10 the default amount (as set forth in the Debtor's books and records), a schedule of which will be  
11 Filed and served by the Assumption Schedule Filing Date, in full in cash on the later of the  
12 Effective Date or when such Cure Claim is Allowed, or on such other terms as the parties to each  
13 such executory contract or unexpired lease may otherwise agree. In this Case, prior to  
14 confirmation of the Plan, some known Cure Payments will have already been paid or resolved by  
15 stipulation, including the Cure Payments of Health Net, PacifiCare and Siemens, and most others  
16 have already been determined by stipulation or agreement. In the event of a dispute regarding  
17 (a) the amount of any Cure Payments, (b) the ability of Reorganized Debtor to provide "adequate  
18 assurance of future performance" (within the meaning of Bankruptcy Code § 365) under the  
19 contract or lease to be assumed, or (c) any other matter pertaining to assumption, the cure  
20 payments required by Bankruptcy Code § 365(b)(1) shall be made following the entry of a Final  
21 Order resolving the dispute and approving the assumption. Pending the Bankruptcy Court's  
22 ruling on such motion, the executory contract or unexpired lease at issue shall be deemed  
23 assumed by Reorganized Debtor as of the Effective Date, unless otherwise ordered by the  
24 Bankruptcy Court.

25 **3. Objections to Assumption**

26 Other than a party to a Mandatory Assumed Contract (which shall be deemed to have  
27 consented to assumption), any entity who is a party to an executory contract or unexpired lease  
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1 that will be assumed under the Plan must File with the Court and serve upon interested parties a  
2 written statement and supporting declaration stating the basis for any objection to assumption.  
3 Any entity whose contract or lease is identified on the Schedule of Assumed Agreements Filed  
4 on the Assumption Schedule Filing Date must File and serve its statement and declaration by no  
5 later than October 4, 2011 (“**Assumption Objections**”). Any entity that fails to timely File and  
6 serve such a statement and declaration will be deemed to waive any and all objections to the  
7 proposed assumption of its contract or lease. Debtor must file and serve its reply with respect to  
8 any Assumption Objections by no later than October 18, 2011. A hearing on the Assumption  
9 Objections will take place at the Confirmation Hearing, or as soon thereafter as the Court is  
10 available.

11 Any entity whose contract or lease is identified as an assumed agreement on an  
12 amendment to the Schedule of Assumed Agreements Filed after the Assumption Schedule Filing  
13 Date and before the Effective Date must File and serve its statement and declaration regarding  
14 assumption by no later than five business days after notice of assumption (“**Supplemental**  
15 **Assumption Objections**”). Any entity that fails to timely File and serve such a statement and  
16 declaration will be deemed to waive any and all objections to the proposed assumption of its  
17 contract or lease. Debtor must file and serve its reply with respect to any Supplemental  
18 Assumption Objections by no later than five business days after the filing of such objection.  
19 A hearing on such Supplemental Assumption Objections will take place seven days after the  
20 filing of Debtor’s reply, or as soon thereafter as the Court is available.

21 In the absence of a timely objection by an entity who is a party to an executory contract  
22 or unexpired lease, the Confirmation Order shall constitute a conclusive determination as to the  
23 amount of any cure and compensation due under the executory contract or unexpired lease, and  
24 that Reorganized Debtor has demonstrated adequate assurance of future performance with  
25 respect to such executory contract or unexpired lease.  
26  
27  
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1 agreements that Debtor entered into after Petition Date will be assumed by Reorganized  
2 Debtor.

3 **C. Changes in Rates Subject to Regulatory Commission Approval**

4 This Debtor is not subject to governmental regulatory commission approval of its rates.

5 **D. Retention of Jurisdiction**

6 The Court will retain jurisdiction to the extent provided by law.

7 **V. EFFECT OF CONFIRMATION OF PLAN**

8 **A. Discharge**

9 This is a reorganization plan. The rights afforded in the Plan and the treatment of all  
10 Claims shall be in exchange for and in complete satisfaction, discharge, and release of all Claims  
11 of any nature whatsoever arising prior to the Effective Date, including any interest accrued on  
12 such Claims from and after the Petition Date (except as otherwise ordered by the Court), against  
13 the Debtor, the Estate and their property.

14 Except as otherwise provided in the Plan or the Confirmation Order or in any contract  
15 assumed by Debtor during the Case (including, without limitation, the Debtor's indemnification  
16 obligations thereunder), the Plan and Confirmation Order shall: (a) on the Effective Date,  
17 discharge and release the Debtor, the Estate, the Reorganized Debtor, and their property to the  
18 fullest extent permitted by Bankruptcy Code §§ 524 and 1141 from all Claims, including all  
19 debts, obligations, demands, liabilities, and Claims that arose before the Effective Date, and all  
20 debts of the kind specified in Bankruptcy Code §§ 502(g), 502(h), or 502(i), regardless of  
21 whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed, (ii) a Claim  
22 based on such debt is allowed pursuant to Bankruptcy Code § 502, or (iii) the holder of a Claim  
23 based on such debt or Interest has or has not accepted the Plan; (b) void any judgment underlying  
24 a Claim discharged hereunder; and (c) preclude all entities from asserting against the Debtor, the  
25 Estate, the Reorganized Debtor, or their respective property any Claims based upon any act or  
26 omission, transaction, or other activity of any kind or nature that occurred prior to the Effective  
27 Date. To the extent any Claim is paid other than under the Plan, Debtor will be deemed

1 discharged and released with respect to such Claim and such Claim and shall not receive a  
2 distribution under the Plan.

3 Except as otherwise provided in the Plan or the Confirmation Order, or as provided in  
4 contracts assumed during the Case and Debtor's indemnification obligations thereunder, on and  
5 after the Effective Date, all entities who have held, currently hold, or may hold a debt or Claim  
6 against the Debtor, the Estate, the Reorganized Debtor, or their respective property that is based  
7 upon any act or omission, transaction, or other activity of any kind or nature that occurred prior  
8 to the Effective Date, that otherwise arose or accrued prior to the Effective Date, or that is  
9 otherwise discharged pursuant to the Plan, shall be permanently enjoined from taking any of the  
10 following actions on account of any such discharged debt, Claim, or Interest (the "**Permanent**  
11 **Injunction**"): (a) commencing or continuing in any manner any action or other proceeding  
12 against the Debtor, the Estate, the Reorganized Debtor, or their respective property that is  
13 inconsistent with the Plan or the Confirmation Order; (b) enforcing, attaching, collecting, or  
14 recovering in any manner any judgment, award, decree, or order against the Debtor, the Estate,  
15 the Reorganized Debtor, or their respective property other than as specifically permitted under  
16 the Plan, as approved by the Confirmation Order; (c) creating, perfecting, or enforcing any lien  
17 or encumbrance against the Debtor, the Estate, the Reorganized Debtor, or their respective  
18 property; and (d) commencing or continuing any action, in any manner, in any place that does  
19 not comply with or is inconsistent with the provisions of the Plan, the Confirmation Order, or the  
20 discharge provisions of Bankruptcy Code § 1141. Any entity injured by any willful violation of  
21 such Permanent Injunction shall recover actual damages, including costs and attorneys' fees,  
22 and, in appropriate circumstances, may recover punitive damages, from the willful violator.

23 In the event of a Transaction, this Plan shall be considered a liquidating plan, and no  
24 discharge will be entered.

25 **B. Exculpation: No Liability for Solicitation or Prosecution of Confirmation**

26 None of Debtor, the Estate, the Creditors' Committee, Wells Fargo, Apollo, the DIP  
27 Lender, the Exit Lenders, Buyer (in the event of a Transaction), or any of the foregoing parties'

1     respective members, officers, directors, employees, advisors, professionals or agents shall have  
2     or incur any liability to any holder of a Claim for any act or omission occurring on or after  
3     Petition Date in connection with, related to, or arising out of the Case, the pursuit of  
4     confirmation of the Plan, the consummation or administration of the Plan, or property to be  
5     distributed under the Plan, except for willful misconduct or gross negligence, and in all respects,  
6     Debtor, the Estate, the DIP Lender, the Exit Lenders, Wells Fargo, Apollo, the Creditors'  
7     Committee, Buyer (in the event of a Transaction), or any of the foregoing parties' respective  
8     members, officers, directors, employees, advisors, professionals or agents shall be entitled to rely  
9     on the advice of their respective counsel with respect to their duties and responsibilities during  
10    the Case under the Plan.

11    **C.     Revesting of Property in Debtor**

12            Except as provided in Sections III.D.2 and V.E. of the Plan, and except as provided  
13    elsewhere in the Plan, the confirmation of the Plan revests the assets of the Estate in the  
14    Reorganized Debtor, free and clear of all Claims, liens, encumbrances, and Interests, except as  
15    expressly provided in the Plan, except for the Trust Assets that will be transferred to the Plan  
16    Trust. From and after the Effective Date, Reorganized Debtor may operate its business and use,  
17    acquire and dispose of property without supervision by the Court and free of any restrictions of  
18    the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the  
19    Plan and the Confirmation Order. The Plan Trust shall remain subject to the jurisdiction of the  
20    Bankruptcy Court.

21    **D.     Transfer of Acquired Assets to Buyer in the Event of a Transaction**

22            In the event of a Transaction, and except as provided in Sections III.D.2 above and V.F  
23    below, and except as expressly provided elsewhere in the Plan, the confirmation of the Plan  
24    transfers all of the Acquired Assets to Buyer, free and clear of all Claims, liens, encumbrances,  
25    and Interests, except as expressly provided in the Plan. From and after the Effective Date, Buyer  
26    may operate the business and use, acquire and dispose of Acquired Assets without supervision  
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1 by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than  
2 those restrictions expressly imposed by the Plan and the Confirmation Order.

3 **E. Transfer of Excluded Assets to the Plan Trust in the Event of a Transaction**

4 In the event of a Transaction, confirmation of the Plan transfers all of the Excluded  
5 Assets to the Plan Trust for the benefit of holders of General Unsecured Claims (except for  
6 rejected contracts and leases and any equipment associated therewith, which shall be turned over  
7 to the lessor or lender, as appropriate), subject to the continuing supervision of this Court.

8 **F. Preservation of Restricted Funds for Charitable Purposes**

9 Pursuant to Bankruptcy Code § 1123(b) and all other applicable law and subject to the  
10 AG Consent, Reorganized Debtor (or Buyer, as applicable) shall be vested with and shall retain  
11 any and all restricted funds formerly held by Debtor. All such funds shall be held in charitable  
12 trust and may be used only for the restricted purposes permitted under applicable law. Debtor  
13 estimates that the amount of such funds was approximately \$610,000 as of Petition Date, and  
14 approximately \$334,000 as of the date hereof, as the funds have continued to be used for their  
15 restricted purposes during the course of this Case.

16 **G. Preservation and Assignment of Rights of Action**

17 All Avoidance Actions shall be deemed waived and released upon the Effective Date.  
18 Except for the Trust Causes of Action, or as expressly released or otherwise expressly provided  
19 in the Plan pursuant to Bankruptcy Code § 1123(b), Reorganized Debtor shall retain and may  
20 enforce any and all other claims or causes of action, any Defenses to Claims, including  
21 counterclaims, rights of setoff, rights of recoupment, credits, recharacterization, or rights of  
22 subordination with respect to any Claim asserted against the Estate.

23 Debtor does not believe that it has any viable claims or causes of action against its former  
24 or current officers or directors, and does not intend to pursue any such actions before the  
25 expiration of the applicable statute of limitations on September 13, 2011. Debtor has entered  
26 into a settlement and release of its former long-time CEO Allen Korneff specifically releasing  
27 any claims against him, which settlement will be submitted for approval at the Confirmation  
28

1 Hearing. The Committee has consented to the Korneff settlement subject to the entry of an order  
2 confirming the Plan.

3 In the event of a Transaction, any and all claims or causes of action against Buyer and its  
4 affiliates are waived and released.

5 **H. Modification of Plan**

6 Subject to such notice as the Court may require, Debtor may modify the Plan at any time  
7 before confirmation, including the substitution of a Transaction instead of the Standalone  
8 Alternative, if circumstances develop that warrant modification or amendment to the Plan.  
9 However, the Court may require a new disclosure statement and/or re-voting on the Plan if  
10 Debtor materially modifies the Plan before confirmation.

11 Debtor may also seek to modify the Plan at any time after confirmation so long as (1) the  
12 Plan has not been substantially consummated and (2) if the Court authorizes the proposed  
13 modifications after notice and a hearing. An early payoff of the Installment Plan Payments shall  
14 not be deemed to require modification of the Plan. However, in the event of a Transaction,  
15 Debtor may not modify the Plan to effect any change in the Transaction or any change in the  
16 rights held by, or relief granted to, the Buyer pursuant to the Transaction Documents and the  
17 Confirmation Order.

18 **I. Dissolution of Creditors' Committee**

19 No later than the Effective Date, the Creditors' Committee shall be dissolved, and shall  
20 be released and discharged from the rights and duties arising from or related to the Case, except  
21 with respect to final applications for professionals' compensation. The professionals retained by  
22 the Creditors' Committee and the members thereof shall not be entitled to compensation or  
23 reimbursement of expenses for any services rendered or expenses incurred after the Effective  
24 Date, except for services rendered and expenses incurred in connection with any applications by  
25 such professionals or Creditors' Committee members for allowance of compensation and  
26 reimbursement of expenses pending on the Effective Date or timely Filed after the Effective Date  
27 as provided in the Plan, as approved by the Court. As of the Effective Date, the complaint filed  
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1 by the Creditors' Committee against Wells Fargo in Case No. 09-03545-BB is dismissed with  
2 prejudice and may not be refiled or reasserted by the Creditors' Committee or any other party.

3 **J. Post-Confirmation Status Report**

4 Within 120 days of the entry of the order confirming the Plan, Debtor (if the Effective  
5 Date has not occurred) or Reorganized Debtor (if it has) shall file a status report with the Court  
6 explaining what progress has been made toward consummation of the confirmed Plan. The  
7 status report shall be served on the United States Trustee, the twenty largest unsecured creditors,  
8 and those parties who have requested special notice. Further status reports shall be filed every  
9 120 days and served on the same entities.

10 **K. Quarterly Fees**

11 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of confirmation shall be  
12 paid to the United States Trustee on or before the Effective Date of the Plan. Quarterly fees  
13 accruing under 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the United States  
14 Trustee in accordance with 28 U.S.C. § 1930(a)(6) until entry of a final decree, or entry of an  
15 order of dismissal or conversion to chapter 7.

16 **L. Post-Confirmation Conversion/Dismissal**

17 The Plan Trustee, the Post-Confirmation Committee, a creditor or party in interest may  
18 bring a motion to convert or dismiss the Case under § 1112(b), after the Plan is confirmed, if  
19 there is a default in performing the Plan. If the Court orders the Case converted to Chapter 7  
20 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and  
21 that has not been disbursed pursuant to the Plan, will revert in the Chapter 7 estate, and the  
22 automatic stay will be reimposed upon the revested property only to the extent that relief from  
23 stay was not previously granted by the Court during this Case. In the event of a Transaction,  
24 conversion or dismissal of the Case will not affect the rights granted Buyer under the Plan, the  
25 Asset Purchase Agreement or the Confirmation Order, and Acquired Assets transferred  
26 thereunder shall remain assets of the Buyer.



1 The order confirming the Plan may also be revoked under very limited circumstances.  
2 The Court may revoke the order if the order of confirmation was procured by fraud and if the  
3 party in interest brings an adversary proceeding to revoke confirmation within 180 days after the  
4 entry of the order of confirmation.

5 **M. Final Decree**

6 Once the estate has been fully administered as referred to in Bankruptcy Rule 3022,  
7 Reorganized Debtor, or such other party as the Court shall designate in the Plan Confirmation  
8 Order, shall file a motion with the Court to obtain a final decree to close the Case.

9  
10 Date: August 23, 2011

11 Downey Regional Medical Center-Hospital, Inc.  
12 Plan Proponent

13 /s/ Lisa Hill Fenning \_\_\_\_\_

14 Lisa Hill Fenning  
15 Arnold & Porter LLP

16 Counsel for Downey Regional Medical Center-  
17 Hospital, Inc.,  
18 Debtor in Possession

**EXHIBIT A**

**503(B)(9) CLAIMS**

POC No	Company Name	Address	City	State	Zip	POC Amount
264	CAREER STAFF UNLIMITED	ATTN: RICHARD KOPECKY 3041 STATE HWY	SUITE 650	RVING, TX	75038	\$116,606.00
461	DOWNEY ACUTE CARE MEDICAL GROUP	PO BOX 39159 DOWNEY, CA 90239				\$1,100.00
224	HEALING HEALTHCARE SYSTEMS, INC.	700 SMITHRIDGE DR., STE. A102 RENO, NV 89502				\$2,472.00
299	HEALTHTALENT	29219 CANWOOD ST, SUITE #220 AGOURA HILLS, CA 91301				\$7,623.00
231	KEVIN S. PARK, M.D.	11525 BROOK SHIRE AVE, #201 DOWNEY, CA 90241				\$500.00
228	KOUROSH K. SHAMLOU, M.D., INC.	11525 BROOKSHIRE AVE., STE 201 DOWNEY, CA 90241				\$500.00
235	MC STRATEGIES, INC.	245 PEACHTREE CENTER AVE. STE. 1900 ATLANTA, GA 30303				\$3,250.00
227	RICHARD B. CHAMBERS, M.D.	11525 BROOKSHIRE AVE. #201 DOWNEY, CA 90241				\$500.00
165	SOUTHLAND MANAGEMENT GROUP, INC.	C/O RALPH ASCHER 3300 EAST SOUTH ST., STE 307 LAKEWOOD, CA 90805				\$35,625.00
258	VANCE C. EBERLY, M.D.	11525 BROOKSHIRE AVE. #201 DOWNEY, CA 90241				\$500.00
88	AD INDUSTRIES, INC	ATTN: BARBARA BECK 12160 SHERMAN WAY NO. HOLLYWOOD, CA 91605				\$1,810.02
94	CAL PARTITIONS, INC.	ATTN: A.E. ANDERSON 23814 PRESIDENT AVE HARBOR CITY, CA 90710				\$463.22
81	DOWNEY PARTY RENTALS	ATTN: KITTY THOMPSON 10900 PARAMOUNT BLVD. DOWNEY, CA 90241				\$1,621.32
111	GD MANAGEMENT GROUP LLC	DBA: MANAGEWARE ATTN: GEOFFREY DANIELS 24601 STAGG ST WEST HILLS, CA 91304				\$1,551.12
104	HOLLYWOOD PREBYTERIAN MEDICAL CENTER	1300 N. VERMONT AVE LOS ANGELES, CA 90027				\$7,595.00
238	MARION PETTEWAY	2000 COUNTRY CIR. SPARKS, NV 89434				\$704.50
170	MES, INC	ATTN: LORENA ZUEHL 1968 E. US HWY 90 SEGUIN, TX 78155				\$299.11
99	MINUTE MAN DELIVERY	ATTN: TAMMY TANJI P.O. BOX 3759 GARDENA, CA 90247-7459				\$1,101.93
414	ORTHOPEDIC ALLIANCE	26157 JEFFERSON AVE. MURRIETA, CA 92562				\$108,035.00
411	PALL MEDICAL	ATTN: APRIL DEBEAUVENET 25 HARBOR PARK DR. PORT WASHINGTON, NY 11050				\$356.91
156	PROFESSIONAL X-RAY EQUIPMENT SERVICE	P.O. BOX 536 TORRANCE, CA 90508-0536				\$590.21
87	TED PUSKAS & ASSOC.	952-P AVENIDA CARMEL LAGUNA WOODS, CA				\$1,862.71
390	TILLER CONSTRUCTORS INC	306 W. KATELLA AVE 3A ORANGE, CA 92667				\$69,536.00
117	TITAN TRANSPORTATION, INC	8282 PHLOX STREET DOWNEY, CA 90241				\$65.00
146	TRANSLOGIC CORPORATION	DBA SWISS LOG HEALTHCARE SOLUTIONS ATTN: LAWRENCE PELO 10825 E 47TH AVE DENVER, CO 80239				
101	UMDS	ATTN: JENIFER JONES P.O. BOX 60250 LOS ANGELES, CA 90060				\$919.66
260	CHILDRENS HOSPITAL LOS ANGELES	ATTN: SANJUANO PEREZ 4650 SUNSET BLVD. LOS ANGELES, CA 90027				\$77,901.08
263	GREATER EL MONTE HOSPITAL	ATTN: LORI KEENOY 1701 SANTA ANITA AVENUE SOUTH EL MONTE, CA 91733				\$8,991.00
253	HANGER PROSTHETICS & ORTHOTICS	ATTN: KATHY TOWNSEND 3602 INLAND EMPIRE BL., #C130 ONTARIO, CA 91764				\$1,375.00
254	HANGER PROSTHETICS & ORTHOTICS	ATTN: KATHY TOWNSEND 7700 IMPERIAL HWY #E2 DOWNEY, CA 90242				\$169,907.23
261	IV LEAGUE INC.	6076 BRISTOL PKWY STE #104 CULVER CITY, CA 90230				\$1,155,169.03
176	MEDIX AMBULANCE SERVICE, INC.	ATTN: JANET SEAL 26021 PALA DR. MISSION VIEJO, CA 92691				\$1,170.72
266	MONTEREY PARK HOSPITAL	ATTN: LORI KEENAY 900 S ATLANTIC BLVD. MONTEREY PARK, CA 91754				\$21,414.75
211	PIONEER SURGICAL TECHNOLOGY, INC.	C/O MARY KAY SHAVER, ESQ. VARNUM LLP BRIDGEWATER PLACE P.O. BOX 352 GRAND RAPIDS, MI 49501-0352				\$8,220.00
161	PRIORITY ONE MEDICAL TRANSPORT	ATTN: DEBORAH STEINBACHER 740 S. ROCHESTER AVE. SUITE E ONTARIO, CA 91761				\$900.50
265	SAN GABRIEL VALLEY MEDICAL CENTER	ATTN: LORI KEENAY 438 WEST LAS TUNAS DRIVE SAN GABRIEL, CA 91776				\$8,325.00
267	WHITTIER HOSPITAL MEDICAL CENTER	ATTN: LORI KEENAY 9080 COLIMA RD. WHITTIER, CA 90615				\$294,162.78
102	A W C COMMERCIAL	WINDOW COVERINGS ATTN: CAROL MARTIN 325 WEST WILLIAMSON FULLERTON, CA 92832				\$127.07
142	AADCO MEDICAL INC	2279 VT RTE66, CATAMOUNT COMMERCIAL PK P.O. BOX 410 RANDOLPH, VT 05060-0110				\$1,267.14
90	ABC PRINTING	ATTN: CATHY SHIN 11823 E. SOUTH ST. CERRITOS, CA 90703				\$285.35
162	ADVANCED CHEMICAL TECHNOLOGY	ATTN: CAROL MCKENNON 8728 UTICA AVENUE RANCHO CUCAMONGA, CA 91730				\$8,479.31
128	ADVANCED STAINLESS & ALLOYS, INC.	ATTN: M. L. SPRAGUE JR. 8266 PHLOX STREET P.O. BOX 97 DOWNEY, CA 90242				\$874.00
126	ALTO DEVELOPMENT CORP	DBA A & E MEDICAL CORP ATTN: LIZ CAMPBELL P.O. BOX 758 FARMINGDALE, NJ 07727				\$804.44
169	ALTURA COMMUNICATION SOLUTIONS	ATTN: LINDA PITTMAN 1335 S ACACIA AVE FULLERTON, CA 92831				\$15,712.69
113	AMB ENTERPRISES INC DBA TRAC	6708 FOOTHILL BLVD #207 TUJUNGA, CA 91042				\$5,400.77
95	AMERICAN GAGE	1440 S. STATE COLLEGE BLVD #E2 ANAHEIM, CA 92806				\$462.00
50	AMERICAN RED CROSS	ATTN: LORI POLACHEK OFFICE OF THE GENERAL COUNSEL 2025 E. STREET N.W. WASHINGTON, DC 20006				\$107,707.00
219	AMO SALES AND SERVICES, INC.	ATTN: GEORGE BUTORAE 1700 E ST ANDREW PLACE SANTA ANA, CA 92705				\$6,830.00
177	ANACOM MEDTEK	ATTN: BRIAN YAP 1240 S. CLAUDINA ST. ANAHEIM, CA 92805				\$1,120.20
249	ARMED FORCES INSTITUTE OF PATHOLOGY	6825 16TH ST., N.W. WASHINGTON, DC 20306-6000				\$968.30
185	ARMSTRONG MEDICAL INDUSTRIES INC.	ATTN: KYLE GROVE 575 KNIGHTSBRIDGE PARKWAY LINCOLNSHIRE, IL 60069				\$777.46
250	ATRIUM MEDICAL CORPORATION	5 WENTWORTH DRIVE HUDSON, NH 03051				\$1,437.92
115	B & K ELECTRIC WHOLESALE	ATTN: CLIFF NEHAMEN 1225 SO. JOHNSON DR CITY OF INDUSTRY, CA 91745				\$1,043.66
256	BAXTER HEALTHCARE	ATTN: GAIL DALESANDRO - DFG/3W 1 BAXTER PARKWAY DEERFIELD, IL 60015				\$17,064.54
188	BECKMAN COULTER, INC.	ATTN: JILLIAN L.NOLAN C/O THE BERNSTEIN LAW FIRM 707 GRANT STREET, 2200 GULF TOWER PITTSBURGH, PA 15219				\$2,576.77
123	BETTER BEVERAGES, INC.	ATTN: VANESSA BARRAGAN 10624 MIDWAY AVE CERRITOS, CA 90703				\$110.96
180	BIOSEAL INC.	ATTN: GEORGE LOPEZ 167 ORANGETHORPE AVE PLACENTIA, CA 92870				\$3,622.89
89	BRYAN EXHAUST	ATTN: CALEB MCDANIEL 2808 N. NAOMI ST BURBANK, CA 91504				\$82.00

POC No	Company Name	Contact Name	Address	City	State	Zip	POC Amount
236	C.R. BARD, INC.	C/O BRIAN L. BURLEW	700 CENTRAL AVENUE	MURRAY HILL, NJ	07974		\$12,424.40
195	CALPEC ENGINEERING, INC.	2500 E. COLORADO BLVD., SUITE 250	PASADENA, CA	91107			\$17,670.00
233	CARDINAL HEALTH 200, LLC	ATTN: DENENE BYRD	C/O DEBRA WILLET	700 CARDINAL PLACE	DUBLIN, OH	43017	\$195,044.38
234	CARDINAL HEALTH 411, INC.	ATTN: DENENE BYRD	C/O DEBRA WILLET	7000 CARDINAL PLACE	DUBLIN, OH	43017	\$243,685.33
232	CARDINAL HEALTH 414, LLC	ATTN: DENENE BYRD	C/O DEBRA WILLET	7000 CARDINAL PLACE	DUBLIN, OH	43017	\$150.00
184	CARSTENS INC	ATTN: DANIEL INGERSOLL	PO BOX 99110	CHICAGO, IL	60693		\$1,410.10
116	CERTIFIED NURSING REGISTRY, INC.	ATTN: CRISTINA SY	18826 ALDRIDGE PLACE	ROWLAND HEIGHTS, CA	91748		\$5,349.00
367	COAST TO COAST UROLOGICAL ASSOC.	ATTN: IVONNE M. SULLIVON	P. O. BOX 490	CENTERVILLE, MA	02632		\$765.69
157	COR-O-VAN RECORDS MANAGEMENT, INC	ATTN: IWONA SARTAN - JOCELYN STOCK	12375 KERRAN ST.	POWAY, CA	92064		\$1,137.65
96	CP HEALTH GROUP INC	ATTN: CHRIS FONTANA	1365 LOGAN AVE	COSTA MESA, CA	92626		\$1,019.50
225	CURBELL ELECTRONICS INC	ATTN: MARY ANN GRANICA	7 COBHAM DRIVE	ORCHARD RANCH, NY	14127		\$446.09
145	DIAGNOSTICA STAGO INC	ATTN: MARY ANN GRANICA	5 CENTURY DRIVE	PARSIPPANY, NJ	07054		\$33,151.98
173	DOWNEY PLAZA PHARMACY	ATTN: LORRAINE M. ROSKELLEY	11480 BROOKSHIRE AVE. #102	DOWNEY, CA	90241		\$222.26
125	EMERY PRATT COMPANY	ATTN: PAMELA A. SHATTUCK	1966 W M 21	DWOSSO, MI	48867		\$50.10
182	EMSAR CALIFORNIA	ATTN: PAMELA A. SHATTUCK	PO BOX 93052	PHOENIX, AZ	85070		\$1,552.17
251	F.F.F. ENTERPRISES, INC.	ATTN: JOHANNA EVANS	41093 COUNTY CENTER DR.	TEMECULA, CA	92562		\$6,735.25
229	FITZGERALD'S FLOWERS & GIFTS	ATTN: FERDINAND SUMABAY	7435 FLORENCE AVE.	DOWNEY, CA	90240		\$185.47
193	FOCUS DIAGNOSTICS, INC.	ATTN: FERDINAND SUMABAY	11331 VALLEY VIEW ST.	CYPRESS, CA	90630		\$43,093.16
108	GARCIA-BENTLEY CONSTRUCTION INC.	ATTN: PENNY GARCIA	640 AVENUE B	REDONDO BEACH, CA	90277		\$20,780.00
213	GENZYME GENETICS	ATTN: CHRISTINE M SADOWSKI	3400 COMPUTER DRIVE	WESTBORO, MA	01581		\$2,550.00
131	GRAPHIC CONTROLS LLC	ATTN: GAIL TOY	PO BOX 1271	BUFFALO, NY	14240		\$485.82
214	GREATRAKE, MCBRIDE & ASSOC., INC.	ATTN: JOAN MCBRIDE	13881 MAUVE DR.	SANTA ANA, CA	92705		\$17,489.00
215	HC INTEGRATED SYSTEMS, INC.	ATTN: DARIO CAMZALEZ	14175 TELEPHONE AVE # E	CHINO, CA	91710		\$655.00
223	HERZOG SURGICAL, INC	ATTN: SUE RAMIREZ	5901 ROSEBUD LANE	SACRAMENTO, CA	95841		\$816.19
212	HIGHLAND PLASTICS	ATTN: AURORA RODRIGUEZ	3650 DULLES DRIVE	MIRA LOMA, CA	91752		\$969.01
135	IMD, INC.	ATTN: AURORA RODRIGUEZ	P.O. BOX 510 * 560 HWY 39	HUNTSVILLE, UT	84317		\$2,167.50
252	INSITE ONE INC	ATTN: AURORA RODRIGUEZ	135 N. PLAINS INDUSTRIAL RD	WALLINGFORD, CT	06492		\$18,511.80
132	IPRINT TECHNOLOGIES	ATTN: AURORA RODRIGUEZ	980 MAGNOLIA AVE #5	LARKSPUR, CA	94939		\$25,507.00
134	IVANS, INC	ATTN: AURORA RODRIGUEZ	5405 CYPRESS CTR DR	TAMPA, FL	33609		\$761.40
78	J. R. MEDICAL, INC	ATTN: AURORA RODRIGUEZ	18003 SKY PARK CIR #H	IRVINE, CA	92614		\$2,745.46
237	JA NEURODIAGNOSTICS MEDICAL SERVICES	ATTN: JOSE ARVIZU	468 W 4TH ST # 308	SAN PEDRO, CA	90731		\$13,755.00
166	JCH WIRE & CABLE	ATTN: MERCEDES SERNA	4527 LOSEE RD.	NORTH LAS VEGAS, NV	89081		\$3,933.97
92	JDL PACKAGING SYSTEM	ATTN: MERCEDES SERNA	2480 BRAYTON AVE	SIGNAL HILL, CA	90755		\$104.93
239	JOHNSON & JOHNSON HEALTH CARE SYSTEMS INC.	C/O DAVID W. DYKHOUSE, ESQ.	PATTERSON BELKNAP WEBB & TYLER LLP	1133 AVENUE OF THE AMERICAS	NEW YORK, NY	10036-6710	\$185,069.00
240	JOHNSON & JOHNSON HEALTH CARE SYSTEMS INC.	C/O DAVID W. DYKHOUSE, ESQ.	PATTERSON BELKNAP WEBB & TYLER LLP	1133 AVENUE OF THE AMERICAS	NEW YORK, NY	10036-6710	\$185,069.00
100	KAND MEDICAL, INC.	ATTN: DUNCAN B. WALLACE	1341 DISTRIBUTION WAY #17	VISTA, CA	92081		\$599.90
154	KENNETH RASMUS	ATTN: DUNCAN B. WALLACE	8813 STAMPS RD.	DOWNEY, CA	90240		\$2,860.00
247	KING MEDICAL SUPPLY OF CALIFORNIA	ATTN: DUNCAN B. WALLACE	20816 HIGGINS CT	TORRANCE, CA	90501		\$2,047.00
300	LANGUAGE LINE SERVICES	ATTN: ANGEL SANTOS	1 LOWER RAGSDALE DR.	MONTEREY, CA	93940		
130	LIFENET HEALTH	ATTN: ANGEL SANTOS	1864 CONCERT DR.	VIRGINIA BEACH, VA	23453		\$863.50
183	LUDLIM MEASUREMENTS INC	ATTN: ANGEL SANTOS	P O BOX 810	SWEETWATER, TX	79556		\$736.31
140	MACBRUD CORPORATION	ATTN: SHIRLEY OSPINA	P.O. BOX 770640	MIAMI, FL	33177		\$1,144.00
158	MARKETLAB INC.	ATTN: SHIRLEY OSPINA	6850 SOUTHBELT DR.	CALEDONIA, MI	49316		\$3,724.08
172	MEDICAL CHEMICAL CORP.	ATTN: LINDA CULPEPPER	19430 VAN NESS AVE.	TORRANCE, CA	90501		\$972.08
230	MINDRAY DS USA INC	ATTN: PETER CHRISTOFOROU	CREDIT DEPARTMENT	300 MAC ARTHUR BLVD	MAHWAH, NJ	07430	\$2,147.90
85	MK BATTERY	ATTN: LYN B. SMITH	1631 S. SINCLAIR ST.	ANAHEIM, CA	92806		\$537.55
122	MORTARA INSTRUMENT, INC.	ATTN: BRIAN BRENEGAN	7865 N. 86TH ST.	MILWAUKEE, WI	53224		\$918.39
141	NATIONWIDE POWER SOLUTIONS, INC.	ATTN: J. HALLINGSTAD	7390 EASTGATE RD, STE 140	HENDERSON, NV	89011-4024		\$15,988.65
187	NET ELECTRONICS	ATTN: LLOYD PINSKY	8224 E. FIRESTONE BLVD.	DOWNEY, CA	90241		\$939.69
220	OSTEOMED LP	ATTN: R PHILLIP BOYD	3885 ARAPAHO ROAD	ADDITION, TX	75001		\$30,237.00
197	OVERGAARD CONSTRUCTION INSPECTION	ATTN: R PHILLIP BOYD	ATTN: CANDICE SEALS	24911 AVE. STANFORD, STE. 104	SANTA CLARITA, CA	91355-1278	\$10,650.00
144	PINESTAR TECHNOLOGY INC	ATTN: R PHILLIP BOYD	P O BOX 824	GREENVILLE, PA	16125		\$2,339.75
114	PROFESSIONAL INDEXES AND FILES	ATTN: JEFF TICEHURST	16102 ORANGE AVENUE	PARAMOUNT, CA	90723		\$31,785.32
175	RADIATION DETECTION CO.	ATTN: REGINA HOLDEN	8095 CAMINO ARROYO	GILROY, CA	95020		\$853.00
218	RAMCO REFRIGERATION AND	ATTN: REGINA HOLDEN	3921 E. MIRALOMA AVE	ANAHEIM, CA	92806		\$4,808.50
198	RAMCO REFRIGERATION AND AIR CONDITIONING, INC.	ATTN: REGINA HOLDEN	3921 E. MIRALOMA AVE	ANAHEIM, CA	92806		\$4,808.50
133	RC MEDICAL, INC.	ATTN: LARA SCHORTMAN	12 ELLEN DRIVE	P.O. BOX 833	TOLLAND, CT	06084	\$391.60
168	REICHERT INC	ATTN: DAVID NOVAK	3362 WALDEN AVENUE	DEPEW, NY	14043		\$4,086.12
91	ROCKVIEW FARMS	ATTN: DAVID LOPEZ	P.O. BOX 668	DOWNEY, CA	90241		\$8,225.41
153	SAFE CHECK EAST, INC.	ATTN: AVA KANARAS	2761 BIGGS HIGHWAY	NORTHEAST, MD	21901		\$2,330.00
118	SHAMROCK SCIENTIFIC SPECIALTY INC.	ATTN: SHARON JONES	P.O. BOX 143	34 DAVIS DRIVE	BELLWOOD, IL	60104	\$462.46
196	SHARN, INC.	ATTN: YOLANDA M. KILICHOWSKI	4517 GEORGE RD, STE. #200	TAMPA, FL	33634		\$1,858.34
164	SONO SERVICES & ASSOCIATES, INC.	ATTN: JOE ALDENFIFER	2289 RANCHO CORONA DR.	CORONA, CA	92882		\$747.00
136	SOUTHLAND SURGICAL LASER RENTAL	ATTN: WILLIAM A. DAVIS	2301 E. 28TH ST. #307	SIGNAL HILL, CA	90755		\$950.00
98	SOUTHWESTERN CLEAN FUELS	ATTN: WILLIAM A. DAVIS	ATTN: GLEN FERNANDEZ	125 E. WHEELER AVE., SUITE F	ARCADIA, CA	91006	\$750.00
105	SPECIAL RESPIRATORY CARE, INC.	ATTN: GLEN FERNANDEZ	DBA: SRC MEDICAL	18327 NAPA STREET	NORTHBRIDGE, CA	91325	\$526.80
148	SPECTRA CORP	ATTN: DON REITER	ATTN: TERI HARP	8131 LBJ FREEWAY	STE 360	DALLAS, TX	\$92.69
155	STRYKER SALES CORP.	ATTN: TERI HARP	C/O EDITH A. LANDMAN	PURKEY & ASSOCIATES PLC	2251 E. PARIS AVE; STE B	GRAND RAPIDS, MI	\$5,018.41
205	SYSKO FOOD SERVICES OF LOS ANGELES, INC.	C/O RAFFI KHATCHADOURIAN	C/O RAFFI KHATCHADOURIAN	HEMAR, ROUSSO & HEALD, LLP	15910 VENTURA BLVD., 12TH FL.	ENCINO, CA	\$48,644.54
259	TISSUE BANKS INTERNATIONAL	ATTN: SUSAN E. FRANKLIN	815 PARK AVENUE	BALTIMORE, MD	21201		\$42,175.00
167	TMI, INC.	ATTN: SUSAN E. FRANKLIN	18002 COWAN #200	IRVINE, CA	92416		\$1,142.39
174	TOSHIBA AMERICA MEDICAL SYST	ATTN: BRENDA NARAGON	2441 MICHELLE AVENUE	TUSTIN, CA	92780		\$3,549.95
146	TRANSLGIC CORPORATION	ATTN: BRENDA NARAGON	DBA SWISS LOG HEALTHCARE SOLUTIONS	ATTN: LAWRENCE PELO	10825 E 47TH AVE	DENVER, CO	80239

POC No	Company	Address1	Address2	Address3	Address4	Address5	POC Amount
255	TRI-ANIM HEALTH SERVICES, INC.	13170 TELFAIR AVENUE	SUNNYVALE, CA 91342				\$4,500.27
159	TRL SYSTEMS, INC.	ATTN: JOHN JANOSIK	4405 EAST AIRPORT DR. #105		ONTARIO, CA 91761		\$4,315.00
103	ULRICH MEDICAL USA, INC.	754 SPIRIT 40 PARK DRIVE	CHESTERFIELD, MO 63005				\$8,994.96
152	US ENDOSCOPY GROUP	5976 HEISLEY RD	MENTOR, OH 44060				\$2,424.40
110	V.S.S. COMPRESSOR SERVICE	ATTN: GREGORY E. BOYD	16220 GARFIELD AVE		PARAMOUNT, CA 90723		
110	V.S.S. COMPRESSOR SERVICE	ATTN: GREGORY E. BOYD	16220 GARFIELD AVE		PARAMOUNT, CA 90723		
127	WALTERS WHOLESALE ELECTRIC CO.	ATTN: DENIS L. EVERT	2825 TEMPLE AVENUE		SIGNALL HILL, CA 90755		\$7,290.32
181	WHITNEY PRODUCTS, INC.	ATTN: VINAY SHAH	6153 MULFORD ST. C		NILES, IL 60714-3427		\$1,537.20
138	WILLIS PLUMBING INC.	ATTN: WILLY PHILLIPS	3861 W. IMPERIAL HWY		INGLEWOOD, CA 90303		\$5,840.00
248	WORLDPOINT ECC	1326 S WOLF RD	WHEELING, IL 60090				\$322.78
147	YORK MEDICAL PHYSICS	ATTN: AMY L. YORK	23810 VIA DEL RIO-UNIT B		YORBA LINDA, CA 92887		\$555.00
							<b>\$1,499,881.84</b>