THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN OF REORGANIZATION. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THE DEBTORS ARE CONTINUING TO REVIEW THIS DISCLOSURE STATEMENT AND ANTICIPATE MAKING MODIFICATIONS AND ADDITIONAL DISCLOSURES PRIOR TO THE DISCLOSURE STATEMENT HEARING, CURRENTLY SCHEDULED FOR NOVEMBER 5, 2003.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re:	:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I, et al.,	:	Case No.: 02-2250 (SMT)
	:	Chapter 11
Debtors.	:	
	:	(Jointly Administered)

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR DEBTORS' JOINT PLAN OF REORGANIZATION

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

100 Federal Street
Boston, Massachusetts 02110
(617) 772-8300

1501 K Street, N.W., Suite 100
Washington, D.C. 20005
(202) 682-7000

Attorneys for the Debtors and
Debtors–in–Possession

Dated: Washington, D.C.
October 24, 2003

TABLE OF CONTENTS

		Page
I.	INTRODUCTION	1
	A. Holders of Claims and Equity Interests Entitled to Vote	4
	B. Voting Procedures and Tabulation of Votes	5
	C. Overview of the Plan	6
	D. Confirmation Hearing	9
II.	GENERAL INFORMATION	9
	A. Description and History of Debtors' Business	9
	B. Events During Chapter 11 Cases	13
	C. Pending Litigation	19
	D. Appointment of Independent Director and Chief Restructuring Officer	22
	E. Auction Process and Lack of Restructuring Alternatives	23
	F. Bar Dates and Summary of Claims	24
III.	THE RECAPITALIZATION PROPOSAL	25
IV.	THE SALE PROCESS	25
V.	THE PLAN	27
	A. Classification and Treatment of Claims and Equity Interests	27
	B. Method of Distributions Under the Plan	33
	C. Executory Contracts and Unexpired Leases	34
	D. Deemed Substantive Consolidation for Plan Purposes	35
	E. Provisions for Treatment of Disputed Claims	36
	F. Conditions Precedent to the Effective Date	38
	G. Implementation	40
	H. Summary of Other Provisions of the Plan	45
VI.	CONFIRMATION AND CONSUMMATION PROCEDURE	48
	A. Solicitation of Votes	48
	B. The Confirmation Hearing	49
	C. Confirmation	50
	D. Consummation	52
VII.	CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN	52
	A. Consequences to the Debtors	53
	B. Consequences to Holders of Allowed General Unsecured Claims	54

TABLE OF CONTENTS
(continued)

Page

VIII. RISK FACTORS 58

A. Certain Bankruptcy Considerations 58

B. Risk that Distributions Will be Less than Estimated 58

C. Litigation Risks 58

D. Liquidity and Financing Risks 59

E. Regulatory and Other Governmental Considerations 59

F. Risks to Prospective Purchasers of New Stock 61

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN 61

A. Liquidation Under Chapter 7 61

B. Alternative Chapter 11 Plan 62

X. CONCLUSION AND RECOMMENDATION 63

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN OF REORGANIZATION. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THE DEBTORS ARE CONTINUING TO REVIEW THIS DISCLOSURE STATEMENT AND ANTICIPATE MAKING MODIFICATIONS AND ADDITIONAL DISCLOSURES PRIOR TO THE DISCLOSURE STATEMENT HEARING, CURRENTLY SCHEDULED FOR NOVEMBER 5, 2003.

I. INTRODUCTION

Greater Southeast Community Hospital Corporation I ("Greater Southeast"), PACIN Healthcare-Hadley Memorial Hospital Corporation ("Hadley"), Michael Reese Medical Center Corporation ("Michael Reese"), Pine Grove Hospital Corporation ("Pine Grove"), Pacifica of the Valley Corporation ("Pacifica") and Doctors Community Healthcare Corporation ("DCHC," together with Greater Southeast, Hadley, Michael Reese, Pine Grove and Pacifica, collectively, the "Debtors") jointly submit this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to holders of Claims against and Equity Interests in the Debtors. The Debtors have prepared this Disclosure Statement in connection with the solicitation of acceptances of the Debtors' Joint Chapter 11 Plan dated [October 24, 2003], (the "Plan"), filed by the Debtors with the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court"). Generally, the Plan provides for the sale of the assets of the Debtors and/or the investment by one or more equity investors that provide common funding to the Reorganized Debtors in exchange for the stock of the Reorganized Debtors. The consideration and/or proceeds to be received pursuant to such sale and/or capital investment will be used to make cash disbursements to holders of allowed Claims in accordance with the priority scheme established by the Bankruptcy Code and/or as set forth in the Plan. The Debtors believe that acceptance of the Plan is in the best interests of their estates, their creditors and all parties in interest.

On [_____, 2003], after notice and a hearing, the Bankruptcy Court issued an order approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of the Debtors' creditors to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The purpose of this Disclosure Statement is to provide the holders of Claims and Equity Interests with sufficient information to make an informed decision as to whether to accept or reject the Plan. This Disclosure Statement may not be relied upon for any other purpose, and nothing contained herein shall constitute an admission of any fact or liability by any party, or be

admissible in any proceeding involving any of the Debtors or any other party, or be deemed conclusive advice on the tax or other legal effects of the Plan.

The statements contained in this Disclosure Statement are generally made as of the date hereof, unless another time is specified, and delivery of this Disclosure Statement shall not create an implication that there has been no change in the information set forth herein since the date of this Disclosure Statement or the date of the materials relied upon in preparation of this Disclosure Statement. The Debtors have prepared the information contained herein in good faith, based upon the information available to them. No audit, however, of the financial information herein has been conducted. Certain of the statements contained in this Disclosure Statement, by nature, are forward-looking and contain estimates and assumptions. There can be no assurance that such statements will be reflective of actual outcomes.

The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. The Plan is a legally binding arrangement and should be read in its entirety. No summary of the Plan should be relied upon in determining whether to accept or reject the Plan. Each holder of a Claim or Equity Interest should read, consider and carefully analyze the terms and provisions of the Plan as well as the information contained in this Disclosure Statement and the other documents provided herewith.

UNLESS OTHERWISE DEFINED HEREIN, ALL CAPITALIZED TERMS CONTAINED IN THIS DISCLOSURE STATEMENT SHALL HAVE THE RESPECTIVE MEANINGS ASCRIBED TO THEM IN THE PLAN.

Attached as Exhibits 1 through [10] to this Disclosure Statement are copies of the following documents:

1. The Plan (Exhibit "1");

2. Order of the Bankruptcy Court, dated [_____, 2003], approving this Disclosure Statement (the "Disclosure Statement Order") (Exhibit "2");

3. Ballot Tabulation and Solicitation Procedures, as approved by the order of the Bankruptcy Court, dated _____, 2003 (the "Voting Procedures") (Exhibit "3");

4. Bidding Procedures (Exhibit "4");

5. Corporate Structure Chart (Exhibit "5");

6. Preliminary Liquidation Analysis (Exhibit "6");

7. Recapitalization Proposal (Exhibit "7")

    a. Revolving Credit Facility Letter from Merrill Lynch for Pacifica, Michael Reese and Hadley (Exhibit "7A");

b. Accounts Receivable Purchase Credit Facility Letter from Sun Capital Healthcare, Inc. for Greater Southeast (Exhibit "7B");

c. Real Estate Purchase Transaction Letter from Medline Industries, Inc. committing to the purchase, among other things, of the real property of Michael Reese (Exhibit "7C");

d. Refinance Transaction Letter from Health Care REIT, Inc. committing to the refinancing of debt of Pacifica (Exhibit "7D");

e. New Mortgage Loan Letter from Health Care REIT, Inc. for Pacifica (Exhibit "7E");

f. Equity Transaction Letters of Hadley Hospital Investors Group, LLC (Exhibit "7F");

g. Equity Transaction Letter of Pacifica Investment Company – I (Exhibit "7G");

h. Equity Transaction Letter of Pacifica Investment Company – II (Exhibit "7H");

j. Memorandum of Understanding with Dr. S.K. Durairaj (Exhibit "7I");

k. Memorandum of Understanding with Tanya Curtis (Exhibit "7J");

l. Memorandum of Understanding with Dr. Enrique Beckmann (Exhibit "7K");

m. Estimate of Assumed or Otherwise Settled Liabilities (Exhibit "7L");

8. Recapitalization Proposal Financial Projections (Exhibit "8");

9. Insurance Policy Chart (Exhibit "9"); and

10. Claim Summary (Exhibit "10").

In addition, a Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that are entitled to vote to accept or reject the Plan.

Exhibits to the Plan , and any exhibits to the Disclosure Statement not listed above, will be contained in the Plan Supplement, which will be filed with the Bankruptcy Court on or before the date that is [10] days prior to the Confirmation Hearing. The Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

Holders of Claims and Equity Interests also may obtain a copy of the Plan Supplement, once filed, from the Debtors by written request sent to the following address:

WEIL, GOTSHAL & MANGES LLP
Attorneys for the Debtors and
Debtors in Possession
100 Federal Street, 34th Floor
Boston, Massachusetts 02110
(617) 772-8300
Attn: Andrew M. Troop, Esq.

A. Holders of Claims and Equity Interests Entitled to Vote

On [_____, 2003], after notice and a hearing, the Bankruptcy Court issued an order approving the Voting Procedures. Among other things, these procedures (i) designate which holders of Claims or Equity Interests are entitled to vote on the Plan and (ii) establish other procedures governing the solicitation and tabulation of Ballots. A copy of the Voting Procedures is attached to this Disclosure Statement as Exhibit "3." [See Section [VI.A] entitled "Confirmation and Consummation Procedure – Solicitation of Votes," for a complete description of the Voting Procedures.]

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected the plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests will receive no recovery under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. [See Section [V.A], entitled "Classification and Treatment of Claims and Equity Interests," for a detailed description of the treatment of Claims and Equity Interests under the Plan.]

Classes [3, 4, 5, 6, 7, 8, 9, 10 and 10a] of the Plan are impaired and, to the extent Claims in such Classes are Allowed Claims, the holders of such Claims will receive distributions under the Plan. As a result, holders of Claims in those Classes are entitled to vote to accept or reject the Plan.[1] Class [11], consisting of [Equity Interests], will not receive any distributions under the Plan. Therefore, holders of [Equity Interests] in this Class are deemed to have rejected the Plan and are not entitled to vote. Classes [1 and 2] of the Plan are unimpaired. Consequently, holders of Claims in those Classes are conclusively presumed to have accepted the Plan and are not entitled to vote.

Any Claim in an impaired Class as to which an objection or request for estimation is pending or which is scheduled by the Debtors as unliquidated, disputed or contingent and for which no proof of claim has been filed is not entitled to vote on the Plan unless the holder of

[1] In the event the Recapitalization Proposal is the Winning Bid, Classes 6 and 10(a) shall be unimpaired and each holder of a Claim in either Class will be conclusively presumed to have accepted the Plan, and its vote, to the extent cast, will be disregarded.

such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan.

Pursuant to the Voting Procedures, the Bankruptcy Court set [_____, 2003] as the Record Date for voting on the Plan. Accordingly, only holders of record as of [_____, 2003] that otherwise are entitled to vote under the Plan will receive a Ballot and may vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please contact Bankruptcy Management Corporation at (888) 909-0100 (Toll Free).

B. Voting Procedures and Tabulation of Votes

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Thus, acceptance of the Plan by Classes [3, 4, 5, 6, 7, 8, 9, 10 and 10a][2] will occur only if at least two-thirds in dollar amount and a majority in number of the holders of such Claims in each Class that cast their Ballots vote in favor of acceptance. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. [See Section [VI], entitled "CONFIRMATION AND CONSUMMATION PROCEDURE," for a more detailed description of the requirements for confirmation of the Plan.]

If the Classes of Claims entitled to vote on the Plan reject the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code or both. Section 1129(b) permits the confirmation of a plan of reorganization notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests. Under that section 1129(b), a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. [See Section [VI.C], entitled "CONFIRMATION AND CONSUMMATION PROCEDURE – Confirmation, " for a more detailed description of the requirements for confirmation of a nonconsensual plan.]

With respect to the Class of [Equity Interests] that is deemed to have rejected the Plan (i.e., Class [11]), the Debtors will request confirmation of the Plan as to such class pursuant to section 1129(b) of the Bankruptcy Code.

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold Claims in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots for each Claim, which must be used for each separate Class of Claims. Please vote and return your Ballot(s) to:

---

[2] See preceding footnote.

By Mail or Overnight Delivery **OR** **By Hand Delivery**

Bankruptcy Management Corporation
Voting Agent for Doctors Community
Healthcare Corporation
P.O. Box 903
El Segundo, CA 90245

Bankruptcy Management Corporation
Voting Agent for Doctors Community
Healthcare Corporation
1130 E. Franklin Avenue
El Segundo, CA 90245

FACSIMILE BALLOTS WILL NOT BE ACCEPTED.

DO NOT RETURN ANY NOTES OR SECURITIES WITH YOUR BALLOT.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY NO LATER THAN [5:00 P.M.], PREVAILING PACIFIC TIME, ON [DECEMBER 3, 2003]. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE AN ACCEPTANCE OF THE PLAN.

C. Overview of the Plan

In brief, the Plan provides for distributions to be made to holders of Allowed Claims from (i) the consideration received from the Winning Bidder(s), (ii) net Litigation Proceeds and (iii) proceeds received from the liquidation of any Non-auctioned Property. The following table briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan:

Class	Description	Treatment Under The Plan	Estimated Recovery	Status
--	Administrative Expense Claims	Paid in full, in Cash, or in accordance with the terms and conditions of transactions or agreements.	[100%]	Unimpaired
--	Priority Tax Claims	Paid in [annual] Cash payments, plus interest, over a period not exceeding six years after the date of assessment of such Claim, with the aggregate value of such payments equal to the Allowed amount of such claim as of the Effective Date of the Plan; provided, however, that if the Winning Bid is not the Recapitalization Proposal, paid in Cash payments by the LLC Agent.	[100%]	Unimpaired
1	DIP Claims	Paid in full, in Cash, except to the extent already paid or the holder agrees to different treatment.	100%	Unimpaired/ Deemed to Accept

Class	Description	Treatment Under The Plan	Estimated Recovery	Status
2	Other Priority Claims	Paid in full, in Cash, except to the extent already paid or the holder agrees to different treatment.	[100%]	Unimpaired/ Deemed to Accept
3	HCRI Senior Secured Claim	Paid in full, in Cash, from the net proceeds of the sale of the HCRI Pacifica Collateral, except to the extent that the holder of the HCRI Senior Secured Claim agrees to different treatment as it has in connection with the Recapitalization Proposal.	[100%]	Impaired
4	Medline Senior Secured Claims	Paid in full, in Cash, from the net proceeds of the sale of the Medline Michael Reese Collateral, except to the extent that the holder of the Medline Senior Secured Claim agrees to different treatment as it has in connection with the Recapitalization Proposal.	[100%]	Impaired
5	Other Secured Claims	Paid in full, in Cash, from the net proceeds realized from the sale of the Collateral securing such Other Secured Claims, after satisfaction of all Senior Claims.	[100%]	Impaired
6	Medical Malpractice Claims	Paid in full, in Cash. Under the Recapitalization Proposal, these Claims are assumed by the Reorganized Debtors. Other than under the Recapitalization Proposal, these Claims will be satisfied from a trust established by certain of the Debtors' Professional Liability Insurers.	10% to 100%[3]	Impaired
7	NCFE Secured Claims	Paid in full, in Cash, from the net proceeds realized from the sale of the Collateral securing such NCFE Secured Claims, after satisfaction of all Senior Claims.	0% to 35%[4]	Impaired

[3] These estimates are made based upon the total amount of the filed and scheduled Medical Malpractice Claims (approximately $465 million), without any adjustment as to the Debtors' belief as to the ultimate Allowed amount of these claims, and upon the assumption that no less than approximately $46 million will be made available by the Professional Liability Insurers to fund the Medical Malpractice Claimants Trust. To the extent the Medical Malpractice Claimants' Trust is not funded, distributions to Creditors will be less. The estimates also do not account for the receipt of any monies from the Debtors' officers and directors insurance policy. Claims against the directors and officers insurance policy will be transferred to the Distribution LLC, subject to provisions of the Plan.

[4] These estimates are based on the assumption that no more than $65 million of the more than $600 million in non-duplicative Claims filed by NCFE in these cases could be Allowed as NCFE Secured Claims and/or NCFE Ownership Claims, and that NCFE's security and/or ownership interests would attach to all, or substantially all, of the net proceeds of the Sale after payment in full of Allowed Administrative Expense Claims, Allowed Priority Claims, and Allowed Claims in Classes 1-6. In these circumstances where the maximum possible amount of the

Class	Description	Treatment Under The Plan	Estimated Recovery	Status
8	NCFE Ownership Claims	Paid in full, in Cash, from the net proceeds from the sale of the subject property, after satisfaction of all Senior Claims.	0% to 35%[5]	Impaired
9	Junior Secured Claims	Paid in full, in Cash, from the net proceeds of the Collateral securing such Junior Secured Claims, after satisfaction of all Senior Secured Claims.	0% to 14%[6]	Impaired
10	General Unsecured Claims	Paid pro rata share of remaining Cash after satisfaction of all Senior Claims.	0% to 43%[7]	Impaired
11	Equity Interests	No distribution.	0%	Impaired/ Deemed to Reject

---

NCFE Secured and Ownership Claims is $65 million, if the challenges to NCFE's Claims based upon equitable subordination and/or recharacterization are successful, NCFE will receive no distribution from these estates on account of the NCFE Secured Claims or the NCFE Ownership Claims. If, however, the challenges are not successful, NCFE may receive up to approximately 35% of the aggregate of NCFE Secured Claims and NCFE Ownership Claims, assuming such Claims are Allowed in an aggregate amount of $65 million, the Recapitalization Proposal is the Winning Bid, and the low range in proceeds from that bid , as described below, actually is available for distribution. In the context of the low range of the Recapitalization Proposal, the Debtors estimate that approximately $23 million will be available for distribution calculated as follows: $42 million less an estimated DIP Claim of $6 million, estimated Priority Tax Claims totaling $4,000,000, estimated Allowed Other Secured Claims totaling $1.8 million, and estimated Allowed Administrative Expense Claims (including funding of the Distribution LLC) totaling $7.2 million. Under the Recapitalization Proposal ordinary course administrative expenses, as well as many of the other Claims in Class 1-6, are satisfied other than from the proceeds of the bid. Further, the Debtors reserve the right, pursuant to section 506(c) of the Bankruptcy Code, to surcharge all secured creditors, including, but not limited to, NCFE, for the reasonable, necessary costs and expenses in connection with preserving, or disposing of, any secured creditor's Collateral during the Chapter 11 Cases.

[5] See preceding footnote.

[6] If NCFE's Claims are recharacterized as equity or equitably subordinated to General Unsecured Claims, then there will be no distribution on account of any Allowed Junior Secured Claim. If not, the Debtors estimate that at most $5 million will not be subject to Allowed NCFE Secured Claims and/or Allowed NCFE Ownership Claims and thus available for distribution on account of any Allowed Junior Secured Claim, assuming again that the Recapitalization Proposal is the Winning Bid, and the low range in proceeds, as described above, is available for distribution.

[7] If efforts to recharacterize or equitably subordinate NCFE's Claims are not successful, it is unlikely that there will be any distribution on account of General Unsecured Claims. If those efforts are only successful to recharacterize NCFE's Claims as General Unsecured Claims, then for each $1.00 distributed to Allowed General Unsecured Claims, approximately $0.92 will go to the NCFE Entities and the balance to all other holders of Allowed General Unsecured Claims. If, however, those efforts are successful to recharacterize NCFE's Claims as equity, and assuming that (i) the Recapitalization Proposal is the Winning Bid, (ii) the net proceeds available for distribution from the Recapitalization Proposal is at the low end of the range of that proposal, and (iii) in accordance with the Recapitalization Proposal, Allowed General Unsecured Claims, other than any Claim of NCFE, will aggregate to no more than approximately $53 million, then holders of Allowed General Unsecured Claims may receive approximately 43% of their Allowed Claims.

Notwithstanding the treatment set forth above, the holder of any Allowed Claim may elect to receive different treatment if so agreed in connection with any Winning Bid.

D. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on [December 10, 2003], commencing at [_____a.m./ p.m.] Prevailing Eastern Time, before the Honorable S. Martin Teel, Jr., United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Columbia, Room 34, United States Courthouse, 333 Constitution Avenue, N.W., Washington D.C. 20001. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [December 3, 2003] at [4:00 p.m.], Prevailing Eastern Time, in the manner described below in Section [VI.B] of this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

II. GENERAL INFORMATION

A. Description and History of Debtors' Business

1. *The Debtors*

The Debtors are all Delaware corporations and operate their businesses through a group of affiliated entities. The Debtors in these Chapter 11 Cases are:

- Greater Southeast Community Hospital Corporation I;
- PACIN Healthcare-Hadley Memorial Hospital Corporation;
- Michael Reese Medical Center Corporation;
- Pine Grove Hospital Corporation;
- Pacifica of the Valley Corporation; and
- Doctors Community Healthcare Corporation.

DCHC is the ultimate corporate parent and owner of the other Debtors. The chart attached as [Exhibit 5] depicts the corporate organization of these Debtors.

2. *Business Operations Prior to Chapter 11 Cases*

Prior to the commencement of these Chapter 11 Cases, DCHC was a privately-held healthcare management company organized under the laws of the state of Delaware with its corporate offices located in Scottsdale, Arizona. Prior to and subsequent to the commencement of these Chapter 11 Cases, DCHC managed and owned, directly and indirectly, the five other Debtors which operated acute-care or specialty hospitals located in California, Illinois and Washington, D.C. The five hospitals are referred to as Greater Southeast, Hadley, Michael Reese, Pacifica and Pine Grove and each are directly and respectively owned by the Debtor of like name. As will be described in greater detail below, during the Chapter 11 Cases the real estate assets of Pine Grove were sold to a third party purchaser for approximately $6.95 million pursuant to an order of the Bankruptcy Court dated May 30, 2003.

Greater Southeast and Hadley are both located in Washington, D.C. Prior to the commencement of the Chapter 11 Cases, Greater Southeast operated as a 450 licensed-bed, full-service hospital and also oversaw the operation of certain healthcare programs, including the D.C. Healthcare Alliance Program and D.C. General Ambulatory and Emergency Care Centers, which provide comprehensive healthcare services to eligible uninsured residents of the Washington, D.C. area. Hadley, prior to the commencement of these Chapter 11 Cases, operated a 45 licensed-bed hospital for long-term acute care and 103 skilled nursing home beds for chronically-ill patients who require lengthy hospitalization. Greater Southeast and Hadley together provided a broad spectrum of high quality, community-focused healthcare services to residents of Washington, D.C. and southern Prince George's County, Maryland.

Michael Reese is located in Chicago, Illinois. At the time of the commencement of the Chapter 11 Cases, Michael Reese operated as a 780 licensed-bed, full service hospital and served as a major area hospital, providing emergency, general medical, surgical, obstetric and pediatric services. It also provided more specialized and sophisticated services in the areas of urology, ophthalmology, neurology, oncology, rehabilitation, neurosurgical, otolaryngology, dialysis services, critical care and cardiac and vascular surgical services.

Pacifica is located in the San Fernando Valley of California, and at the time of the commencement of the Chapter 11 Cases, operated as a 242 licensed-bed, acute-care hospital. The hospital offered a full range of inpatient and outpatient services, including 24-hour emergency care, intensive and coronary care, behavioral health services and maternity, pediatric and adult sub-acute units.

Pine Grove is located in Canoga Park, California, and at the time of the commencement of the Chapter 11 Cases, operated as a stand-alone, 80 licensed-bed, psychiatric facility, with two locked psychiatric units, one each for adolescent boys and girls. Prior to its closure, Pine Grove provided programs based on multi-disciplinary treatment approaches and offered a comprehensive array of psychiatric services for all ages.

3. *Debtors' Capital Structure and Prepetition Financing Arrangements*

Prior to the commencement of the Chapter 11 Cases, the Debtors obtained financing for their operations primarily through a series of agreements with NPF VI, Inc. and NPF XII, Inc. (the "NPF Funds") and their affiliates.[8] The NPF Funds issued notes to investors that were "backed" by receivables of healthcare providers. National Century Financial Enterprises, Inc. ("NCFE") was the sponsor of these securitization vehicles, and is the corporate parent of the NPF Funds and National Premier Financial Services, Inc. ("NPFS"). The NPF Funds, NCFE, NPFS and their affiliates are referred to hereinafter collectively as the "NCFE Entities."

Between 1993 and 2001, the Debtors entered into a number of financing arrangements with the NCFE Entities, including multiple Sale and Subservicing Agreements and Amendments thereto with the NPF Funds and NPFS (collectively, the "Agreements"). Pursuant to the Agreements, the NPF Funds advanced funds against the accounts receivable of the Debtors, and NPFS serviced the collection of the accounts receivable financed by the NPF Funds. In effect, pursuant to the Agreements, the NCFE Entities would finance accounts

[8] The proper characterization of this financing is subject to dispute as discussed below. See page [16].

receivable generated by the Debtors, and advance funds to the Debtors for use in the payment of all essential operating expenses, including payroll, rent, utilities and payment of vendors. The Debtors' accounts receivable were paid to one or more lockbox accounts maintained primarily at Huntington National Bank. The proceeds deposited into the lockboxes by payors or obligors were routinely swept by and transferred to the NCFE Entities on account of the accounts receivable financed by the NCFE Entities.

Pursuant to the various financing arrangements, the NCFE Entities have asserted non-duplicative claims in an aggregate amount in excess of $600 million against the Debtors. In addition, the NCFE Entities own approximately eleven (11%) percent of the equity interests of DCHC.

The Debtors also procured financing from Health Care REIT, Inc. ("HCRI") to fund hospital operations. Pacifica borrowed funds from HCRI, secured by a lien on Pacifica's real property and personal property, including accounts. Moreover, HCRI holds approximately $221,245.41 in a cash collateral account, securing DCHC's guaranty of Pacifica's obligations to HCRI. As of the Commencement Date, the principal amount owed by Pacifica to HCRI was approximately, but did not exceed, $18.8 million.

In addition, the Debtors also obtained financing from Medline Industries, Inc., successor in interest to North American Healthcare Financing ("Medline"), which holds mortgages on the Michael Reese real property and a security interest in certain tangible personal property of Michael Reese and the proceeds thereof, but not the accounts of Michael Reese. As of the Commencement Date, the principal amount owed by Michael Reese to Medline was approximately, but did not exceed, $15.6 million. The Debtors believe that the value of Michael Reese's real estate alone is worth more than the amount owed to Medline.

In addition to the various financing arrangements with the NCFE Entities, HCRI and Medline, the Debtors also entered into capital leases with various equipment leasing companies, including, without limitation, General Electric Capital Corporation, Citicorp Vendor Finance Inc., Fleet Capital Leasing Healthcare Finance, Coulter Leasing Corporation and DVI Capital Company. As of the Commencement Date, the Debtors' obligation under these capital leases (other than leases with NCFE) was in the approximate aggregate amount of $3 million. With respect to unsecured trade debt, the Debtors estimate that, as of the Commencement Date, the approximate aggregate amount was $60 million.

As noted above and described in the Corporate Structure Chart annexed hereto as Exhibit [5], DCHC is the ultimate corporate parent of the other Debtors and, accordingly, DCHC holds, directly or indirectly, 100% of the equity interests in each of the other Debtors. In contrast, DCHC was owned by various individuals and entities. As of the Commencement Date, DCHC had issued 900 of the 1,000 shares of preferred stock, and 1040.6 shares of the 10,000 shares of common stock, authorized by its charter. The shares of the preferred stock were held by ten (10) people or entities, and the significant holders were Joseph Noveillo (100 shares), Alan Baer (356 shares), George Krauss (119 shares) and Diagnostic Health Imaging Systems, Inc. (119 shares). The shares of common stock were held by seven people or entities, and the significant holders were Paul Tuft (655 shares), Everett Wrightsman (150 shares) and NCFE (115 shares).

4. *Events Leading to Commencement of Chapter 11 Cases*

As described above, prior to the commencement of these Chapter 11 Cases, the Debtors obtained financing for their operations primarily through the Agreements with the NCFE Entities.

During the week of October 21, 2002, the NCFE Entities breached their obligations under the Agreements and failed to provide the Debtors with the funds needed to finance their operations. In response, the Debtors notified NCFE in writing on October 29, 2002 that NCFE had materially breached the Agreements and that the Debtors were terminating the Agreements effective immediately. Also on that date, the Debtors provided written instructions to their payors, which include Medicare, Medicaid and various insurance companies, directing the payors to send payments directly to the Debtors rather than to the NCFE lockbox accounts.

On October 31, 2002, the Debtors received letters from the NCFE Entities advising that they did not know when or whether they would be in a position to continue providing financing with respect to the Debtors' accounts receivable. Shortly thereafter, NCFE initiated litigation in Ohio state court to enjoin certain healthcare providers from directing payments for receivables to themselves rather than to the NCFE lockbox accounts (the "Ohio Litigation"). The Debtors originally were not parties to the Ohio Litigation. The Ohio state court entered two temporary restraining orders which prevented the defendants from directing payments of receivables to themselves.

On November 13, 2002, the NCFE Entities filed a motion in Ohio state court for leave to amend the complaint of the Ohio Litigation to add the Debtors and certain other healthcare providers as defendants and to seek an injunction to prevent the providers from directing payments of receivables to themselves. The Ohio state court did not grant the motion. On November 15, 2002, the NCFE Entities agreed not to add the Debtors as defendants with respect to a hearing scheduled for November 18, 2002 and also agreed to provide the Debtors with five days notice prior to the filing of any motion for injunctive relief against the Debtors.

On November 18, 2002, the NCFE Entities reneged on that agreement. On that date, the NCFE Entities filed for chapter 11 relief in the United States Bankruptcy Court for the Southern District of Ohio (the "Ohio Bankruptcy Court"). Without notice to the Debtors, the NCFE Entities moved for injunctive relief by filing a complaint with the Ohio Bankruptcy Court naming the Debtors as defendants. On that same day, the Ohio Bankruptcy Court issued an Order and Injunction pursuant to section 105(a) of the Bankruptcy Code prohibiting the Debtors from asserting any ownership or control over the proceeds of the disputed receivables. The Order and Injunction effectively prevented the Debtors from collecting proceeds of any of their receivables because the payments were not segregated or marked as being attributable to the Debtors or other providers as the payments were deposited into the NCFE lockbox accounts.

Consequently, the Debtors commenced these Chapter 11 Cases on November 20, 2002, among other things, to gain access to their accounts receivable, and the proceeds thereof, and to reestablish the cash flow necessary to enable the Debtors to continue the operation of the hospitals, ensuring that thousands of patients could continue to receive vital health care services without interruption.

B. Events During Chapter 11 Cases

Since the Commencement Date, the Debtors have continued to operate their businesses and manage their properties as Debtors in Possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Chapter 11 Cases are being jointly administered for procedural purposes but have not been substantively consolidated.

The following is a brief description of certain major events that have occurred during the pendency of these Chapter 11 Cases:

1. *Administration of the Chapter 11 Cases*

The Debtors commenced their Chapter 11 Cases on November 20, 2002 in the United States Bankruptcy Court for the District of Columbia. On November 21, 2002 and November 22, 2002, the Bankruptcy Court entered certain orders designed to minimize disruption of the Debtors' business operations and to facilitate their reorganization, including orders authorizing the Debtors to maintain their existing bank accounts and business forms, to continue their centralized cash management system, to pay prepetition wages and directing financial institutions to honor and process prepetition payroll checks, and to use their "cash collateral" on an emergency and interim basis.

Various parties asserted "cash collateral" interests in the Debtors' accounts and the proceeds thereof. In particular, both NCFE and HCRI asserted interests in all or some of the Debtors' accounts receivable. NCFE asserted an ownership interest in these receivables, which the Debtors and the Committee have disputed on various grounds, as discussed in more detail below. See page [15].

2. *Employment of Debtors' Professionals*

In connection with the prosecution of these Chapter 11 Cases, the Debtors retained several professionals, as described below.

- By order dated January 23, 2003, the Bankruptcy Court approved the retention of Weil, Gotshal & Manges LLP as attorneys for the Debtors, effective as of the Commencement Date.

- By order dated January 16, 2003, the Bankruptcy Court approved the Debtors' retention of Cooper and Elliot as local counsel with respect to the NCFE litigation, effective as of the Commencement Date, for matters before the Ohio Bankruptcy Court.

- By order dated January 23, 2003, the Bankruptcy Court approved the retention of Huron Consulting Group, LLC as financial advisors for the Debtors effective as of the Commencement Date.

- By order dated December 31, 2002, the Bankruptcy Court approved the Debtors' retention of Pepper Hamilton LLP, as special litigation counsel, with respect to the "true sale" aspects of the disputes with NCFE over its asserted ownership interest in the Debtors' receivables.

- By order dated March 3, 2003, the Bankruptcy Court approved the Debtors' retention of Seyfarth Shaw as special labor counsel for Greater Southeast.

- By order dated March 20, 2003, the Bankruptcy Court approved the retention of Cain Brothers and Company, LLC ("Cain Brothers") as investment bankers effective as of November 27, 2002.

- By order dated April 23, 2003 (the "Ordinary Course Professional Order"), the Bankruptcy Court approved the retention of certain professionals utilized by the Debtors in the ordinary course of business. These professionals include Hall, Prangle & Schoonveld, LLC; Hartel, Kane, DeSantis, MacDonald & Howie, LLP; Hooper, Lundy & Brookman; Kutack Rock; Littler Mendelson, P.C.; Manatt, Phelps, and Phillips; and O'Hagan, Smith & Amudsen. The list of Ordinary Course Professionals may be supplemented pursuant to terms of the Ordinary Course Professional Order.

3. *Appointment of the Creditors' Committee*

On or about November 25, 2002, the United States Trustee appointed a 9-member Committee to represent the interests of unsecured creditors of the Debtors pursuant to section 1102(a)(1) of the Bankruptcy Code. The current members of the Committee are set forth below:

Committee Members	
Healthcare Management Resources, LLC Mr. Jerry Carter P.O. Box 1709 Hendersonville, TN 37077	Harris Hospital Supply, Inc. Mr. Paul Lutgen 2545 S. 25th Ave. Broadview, IL 60155
Sodexho Mr. Robert DeRose 9801 Washington Ave. Gaithersburg, MD 20878	Progressive Nursing Staffers, Inc. Mr. David Kimball 7001 Kilworth Lane Springfield, VA 22151
Medical Staffing Network, Inc. 901 Yamato Road #10 Boca Raton, FL 33431 c/o Martin Fletcher, Esquire	University of Illinois Medical Center Admin. Mr. Chris J. Mollet 914 S. Wood Street Chicago, IL 60612
Milestone Healthcare Mr. Charles L. Allen 2501 Cedar Springs Road Suite 300, L815 Dallas, TX 75201	S.K. Durairaj, M.D. 9375 San Fernando Sun Valley, CA 91352

Committee Members	
Walden Medical Group Anthony Francis, M.D. 2515 North Vermont Ave. Los Angeles, CA 90027	

In connection with these cases, the Committee retained several professional as described below.

- By orders dated December 19, 2002, the Bankruptcy Court approved the Committee's retention of Akin Gump Strauss Hauer & Feld LLP as its attorneys effective as of November 20, 2002 and Navigant Consulting, Inc. as its financial advisor effective as of December 5, 2002.

- By order dated January 23, 2003, the Bankruptcy Court approved the Committee's retention of Rhiel & Associates, Co., L.P.A. ("Rheil") as special litigation counsel effective as of the Commencement Date. Rheil is to be compensated pursuant to the terms approved in the Ordinary Course Professional Order.

Since the Committee's formation, the Debtors have consulted with the Committee concerning the administration of these Chapter 11 Cases. Throughout these Chapter 11 Cases, the Debtors have kept the Committee informed with respect to their operations and have sought the concurrence of the Committee for actions and transactions outside of the ordinary course of the Debtors' business, including, without limitation, authorization to use cash collateral, procurement of debtor-in-possession financing, modification of the agreement with the District of Columbia in connection with the D.C. Alliance Healthcare Program, and the proposed sales of the hospitals.

4. *Use of Cash Collateral and Debtor-In-Possession Financing*

As noted above, prior to the Commencement Date, the Debtors primarily financed their hospital operations pursuant to the Agreements with the NCFE Entities. NCFE's financial collapse and resulting bankruptcy severely impacted the Debtors' access to cash to fund their operations. Accordingly, an immediate requirement of the Debtors upon filing for chapter 11 protection was to obtain access to cash to fund their operations. As short-term measures to alleviate the cash flow crisis while the Debtors sought a new financing facility, the Debtors obtained a series of orders from the Bankruptcy Court authorizing the Debtors to use certain cash and cash equivalents upon which certain creditors were alleged to have liens. These cash collateral orders provided, among other things, adequate protection to such creditors by providing them with replacement liens on the Debtors' postpetition receivables to the extent that their alleged prepetition liens were valid and enforceable.

The Debtors required a credit facility to supplement their use of cash collateral and to alleviate the uncertainty and lack of flexibility that existed from operating five acute-care hospitals exclusively from cash collections. The Debtors determined that a credit facility would enable them to preserve and maximize the value of their estates because the additional financing would, among other things, (a) allow the Debtors to continue to provide uninterrupted patient

care services, (b) provide assurance to the Debtors' creditors, vendors and doctors that the Debtors would have sufficient cash to maintain ongoing business and credit relationships, and (c) demonstrate the continued viability of their hospitals.

After many months of negotiations with several potential lenders and the active participation of the Committee and NCFE, the Debtors obtained approval on or about May 8, 2003 from the Bankruptcy Court to enter into a debtor-in-possession credit agreement with Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc., for an amount limited to thirty million ($30,000,000.00) dollars. The Debtors' ability to utilize this credit facility was further limited pursuant to certain agreements reached with NCFE and the Committee and incorporated into the Bankruptcy Court order authorizing the debtor-in-possession credit agreement.

5. *Modification of Agreement Between Greater Southeast and District of Columbia Financial Responsibility and Management Assistance Authority*

By motions dated January 27, 2003 and February 6, 2003, Greater Southeast sought to modify, but not assume, its prepetition agreement (the "DC Alliance Agreement") with the District of Columbia Financial Responsibility and Management Assistance Authority (the "Authority") for the management and provision of health care services to uninsured residents of Washington, D.C. The objective of the motions was to ensure that vital services would continue to be provided to these uninsured residents, while allowing Greater Southeast to eliminate substantial losses that it experienced under the DC Alliance Agreement.

Greater Southeast entered into the DC Alliance Agreement after it was selected to oversee and implement the D.C. Alliance Healthcare Program (the "Program") in or about December 2000. On or about April 30, 2001, Greater Southeast, in cooperation with Washington, D.C. and the Office of the Mayor, developed and implemented the Program. The Program was designed to "privatize" the provision of comprehensive, integrated and coordinated healthcare services to eligible uninsured residents of Washington, D.C. The Program was conceived to permit a private party to administer and oversee the Program without sustaining losses. The DC Alliance Agreement was subsequently assigned to the government of the District of Columbia (the "District").

In practice, Greater Southeast sustained substantial losses (up to $8 million over a twelve-month period) because of a mismatch that existed between certain requirements contained in the DC Alliance Agreement and the actual way in which the Program was utilized by patients. This "mismatch" was particularly true for those parts of the Program that Greater Southeast was required to provide at the location of the former D.C. General Hospital ("D.C. General"). D.C. General primarily provided clinical and urgent care services for certain residents of Washington, D.C., but under the Program, Greater Southeast was required to maintain significantly more, and more costly, services at D.C. General, including an emergency medical department providing full service 24 hours a day, 7 days a week, regardless of the actual use of such services and facility.

To prevent continuing losses, prior to the commencement of these Chapter 11 Cases, Greater Southeast commenced negotiations with the District to modify the DC Alliance Agreement to minimize its expenses without eliminating truly needed medical services for the uninsured residents of Washington, D.C. The commencement of these Chapter 11 Cases

accelerated these negotiations with the District and led to the parties agreeing to modify the DC Alliance Agreement. These modifications, as approved, have permitted Greater Southeast to close the expensive emergency room services at D.C. General in favor of operating an urgent care center designed to provide the appropriate level of services for Washington, D.C. The modifications also reduced or eliminated certain administrative burdens on Greater Southeast, such as the management of the Program. For its modified and continued participation in the Program, the District will compensate Greater Southeast with approximately $7.9 million annually.

The Bankruptcy Court approved the modification of the DC Alliance Agreement on March 4, 2003.

6. *Operational Concerns of Greater Southeast*

Throughout these Chapter 11 Cases, Greater Southeast has been addressing significant operational challenges. In December 2002, Greater Southeast received a report (the "December 2002 Report") from the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") identifying several areas in which improvements to the hospital would be required. JCAHO is an independent, non-profit organization governed by a board that includes physicians, nurses and consumers. JCAHO accreditation, in many but not all instances, enables a hospital to accept and bill Medicare and Medicaid patients, and is relied as and a condition to service agreements with many, if not all, third-party payors for medical services. For Greater Southeast, maintenance of its JCAHO accreditation is vital because a substantial portion of its census population consists of Medicare and Medicaid patients.

Greater Southeast has worked diligently to improve the problem areas identified by JCAHO. Such efforts have included the modifications agreed to between Greater Southeast and the District in connection with the DC Alliance Agreement. Also, Greater Southeast retained the services of Robert Johnson & Associates ("RJ Associates"), a consulting firm specializing in providing health care management advice to urban hospitals and other health care organizations. The retention of RJ Associates was approved by the Bankruptcy Court at a hearing held on April 9, 2003, but the retention agreement for RJ Associates expired on July 31, 2003. Thereafter, Greater Southeast retained the services of Cambio Health Solutions, LLC ("Cambio") and Critical Management Solutions ("CMS") as healthcare consultants. Among other things, Cambio has provided Greater Southeast with a hospital administrator who is responsible for the management of the hospital and its operations. Notwithstanding the efforts made by Greater Southeast in conjunction with RJ Associates, Cambio and CMS to improve its operations, Greater Southeast lost its final appeal, and its JCAHO accreditation was revoked formally on August 19, 2003. The Debtors have continued to work with Cambio and CMS in making significant progress in the quality and financial performance of Greater Southeast in order to re-obtain JCAHO accreditation and make the necessary improvements during the Compliance Period. Based upon Greater Southeast's progress to date, Greater Southeast has scheduled an accreditation survey with JCAHO for December 15, 16 and 17, 2003.

Also, Greater Southeast's license to operate as a hospital expired in 2002, and, since then, the Department of Health of the District of Columbia (the "DOH") has issued Greater Southeast a series of short-term provisional licenses. Loss of Greater Southeast's current provisional license without first re-obtaining its full license or at least obtaining another

provisional license would mandate Greater Southeast to cease operating as a hospital. To avoid a closure of the hospital, Greater Southeast and the DOH entered into discussions which resulted in the parties reaching an agreement dated August 12, 2003 (the "License Agreement") whereby Greater Southeast committed to make several operational improvements within sixty-days of the effective date of the License Agreement (the "Compliance Period"). The Compliance Period expired on or about October 12, 2003. Under the License Agreement, if Greater Southeast is found to have complied substantially with the required operational improvements during the Compliance Period, Greater Southeast will receive a full license from the DOH. Under the License Agreement, Greater Southeast was required to file, and it did file, its final self-evaluation of its efforts during the Compliance Period prior to October 21, 2003. The DOH has conducted a survey of Greater Southeast to confirm, among other things, substantial compliance with the requirements of the License Agreement. Greater Southeast is cautiously optimistic that the DOH will find it in substantial compliance with the requirements under the License Agreement and will grant it a full license upon completion of its survey.[9] Greater Southeast does not expect to learn of the DOH's decision with respect to the License Agreement until the beginning of November 2003.

7. *The Sale of Pine Grove*

The Debtors decided to sell the assets of Pine Grove following the suspension of its so-called "LPS Designation." The LPS Designation is the certification that allowed Pine Grove to operate its two locked psychiatric units. Following the loss of the LPS Designation, Pine Grove closed one of its locked units, thereby decreasing its census population (and projected revenues) by approximately one-half, and began to sustain losses of approximately $300,000 per month. At the same time, Pine Grove explored alternative business options, which included seeking the reinstatement of the LPS Designation and reopening the facility, transferring the psychiatric units to Pacifica, and converting Pine Grove to another line of business not requiring the LPS Designation. After considering the various options, Pine Grove determined that it lacked the resources to continue operations or remake itself and that it was not feasible to transfer the psychiatric units to Pacifica. Pine Grove also concluded that, given its location, its value as simply real estate might well equal or exceed its value as an operating entity.

By motion dated April 18, 2003, Pine Grove sought approval of certain sale procedures and the ultimate sale of substantially all of its assets free and clear of all liens, claims and encumbrances pursuant to sections 363(b) and (f) of the Bankruptcy Code. It also sought authority to assume and assign certain executory contracts and/or unexpired leases to the successful purchaser.

To maximize the value of its assets, Pine Grove sought to sell the assets in accordance with sale procedures that provided for the designation of a "stalking horse" bidder whose bid would set the minimum price for subsequent bidding at a public auction. The proposed sale procedures further provided for a fee of 3% of the stalking horse bid to be paid to the stalking horse in the event the stalking horse bidder was outbid at the auction. The Bankruptcy Court approved the sale procedures on May 8, 2003. Ultimately, six entities submitted bids for the assets of Pine Grove at the auction, and on May 30, 2003, the Bankruptcy

[9] See also Section [VIII] – Risk Factors.

Court approved the sale of the assets of Pine Grove to a business entity controlled by Mr. Sharon Evenhaim for $6.95 million. In accordance with the Bankruptcy Court approved sale procedures, Mr. Ted Stein, the stalking horse bidder, received a fee of $150,000 for being outbid at the auction.

After the closing of the sale to Mr. Evenhaim, the Debtors attempted to find a buyer for the remaining personal property assets of Pine Grove that had not been acquired. The value of these assets, which consisted mainly of bolted-down beds and other similar items that had been used in the operations of Pine Grove, was minimal. After several attempts to find a buyer for these assets or engage a professional liquidator to auction these assets, the Debtors concluded that the value of these assets likely did not exceed the cost and expense of liquidating these assets. Accordingly, on October 16, 2003, the Debtors filed a notice of their intent to abandon Pine Grove's remaining personal property assets.

8. *Extensions of Exclusivity*

Pursuant to section 1121(b) of the Bankruptcy Code, the Debtors had an initial period of 120 days after the commencement of their Chapter 11 Cases during which they had the exclusive right to file a chapter 11 plan of reorganization. Pursuant to section 1121(c)(3) of the Bankruptcy Code, if the Debtors had filed a plan of reorganization during that 120-day exclusive period, they had until the 180th day after the Commencement Date, until May 20, 2003 that is, to obtain acceptances of that plan during which time competing plans could not be filed.

The Bankruptcy Court has entered three separate orders approving the extension of the Debtors' exclusive periods to file a plan and obtain acceptances to and including November 29, 2003 and January 28, 2004, respectively.

C. Pending Litigation

1. *NCFE*

The NCFE Entities have asserted in excess of $600 million in secured and unsecured claims against the Debtors. The NCFE Entities contend, among other things, that (a) a portion of these claims reflect accounts receivable allegedly sold to them by certain of the Debtors, (b) a portion of these claims reflect funds advanced to the Debtors, and (c) a portion of these claims reflect leases by certain of the Debtors with certain of the NCFE Entities. The NCFE Entities further contend that, to the extent any ownership interest they assert in the Debtors' accounts receivable is invalid, those accounts receivable stand as security for amounts owed to the NCFE Entities by the Debtors.

The Debtors currently are in litigation with the NCFE Entities in the Ohio Bankruptcy Court, challenging the NCFE Entities' asserted ownership interest in certain of the Debtors' accounts receivable (the "True Sale Litigation").

The Debtors contend that the transactions with the NCFE Entities were not true sales of accounts receivable to the NCFE Entities. The accounts receivable at issue are receivables which were generated by the Debtors' hospital operations. Pursuant to the Agreements (as defined above) between the Debtors and in accordance with the continuous course of dealing between the Debtors and the NCFE Entities, the Debtors used accounts

receivable to secure loans on a revolving basis from the NCFE Entities, granting the NCFE Entities a security interest in the receivables against which funds were advanced. In its course of dealing with the Debtors, the NCFE Entities treated its relationship with the Debtors and conducted themselves vis-à-vis the Debtors in a way that is consistent with a financing transaction, not a sale transaction.

The Debtors take the position that, on the basis of all of the facts relating to the course of dealing between the NCFE Entities and the Debtors, the financing arrangement between the Debtors and the NCFE Entities was a secured loan rather than a true sale, and the accounts receivable therefore are, and were at all times, the property of the Debtors and not the property of the NCFE Entities. The Debtors contend that, at best, the NCFE Entities have a security interest to the extent that their loans to the Debtors were secured by patient-specific accounts receivable.

The Debtors also take the position that as the result of the NCFE Entities' breach of the Agreements, they have suffered damages (and their patients may have suffered damages) that equal or exceed the amount of any claim that the NCFE Entities may have. The ability of the Debtors to recoup or offset these damages against any claim of the NCFE Entities has been preserved in both the NCFE Entities' Chapter 11 cases and in the Debtors' Chapter 11 Cases. If the Debtors are entitled to exercise a right of recoupment, then doing so has not been stayed by the NCFE Entities' Chapter 11 case. If they are entitled only to set off, that right has been preserved by section 553 of the Bankruptcy Code.

In addition, the Debtors take the position that the transfer of any accounts receivable to the NCFE Entities (a) was made to a creditor of the Debtors, (b) was made on account of an antecedent debt (at any point in time over the last year, the Debtors were indebted to the NCFE Entities), (c) was made at a time when, if the amounts owed to the NCFE Entities are valid, the Debtors were insolvent, and (d) if not avoided, will enable the NCFE Entities to receive more than they would have received had those receivables not been transferred and the Debtors had been liquidated under Chapter 7 of the Bankruptcy Code. These transfers, therefore, can be avoided as preferences under section 547(b) of the Bankruptcy Code. The Debtors take the position that the appropriate preference "look back" period is one year because NCFE is an insider, as it owns 11% of the equity of DCHC and has exercised control over the Debtors. In addition, the Committee contends that the NCFE Entities were themselves insiders of the Debtors, subjecting any transfers to them to the one-year look back period contained in section 547(b) of the Bankruptcy Code.

The Debtors also have filed claims against the NCFE Entities in their Chapter 11 Cases, asserting claims in excess of $300 million for affirmative recovery. These affirmative claims, among other things, are for damages based upon the NCFE Entities' alleged failure to disburse properly certain reserves to the Debtors and for damages based upon the NCFE Entities' abrupt failure to finance the Debtors' operations, which led to the Debtors' need to file for Chapter 11 protection. The NCFE Entities have filed an objection to the claims filed by the Debtor in the Chapter 11 cases of the NCFE Entities.

In addition, the Debtors and the Committee believe that the claims of the NCFE Entities are vastly overstated, and that there are justifiable grounds to equitably subordinate the NCFE Entities' claims to the claims of unsecured creditors in these Chapter 11 Cases or to

recharacterize all of the NCFE Entities' claims as equity in the Debtors. In fact, the Committee has obtained permission from the Bankruptcy Court to pursue these claims for equitable subordination and/or recharacterization on behalf of the Debtors' estates. Although no formal action has yet been filed by the Committee, based on the documents filed by the Committee in the Debtors' Chapter 11 Cases, the Committee believes that, among other things, the NCFE Entities (a) exercised substantial and direct control over the Debtors' strategic decisions, including decisions with respect to acquisitions of assets, (b) used the Debtors for their own benefit to effectuate a "Ponzi" scheme on their own investors and (c) as a result of the foregoing, saddled the Debtors with alleged debt that the NCFE Entities knew could not be repaid, and never reasonably expected could have been recovered, to the detriment of the Debtors' other creditors, such that the claims or asserted interests of the NCFE Entities against the Debtors should be either (i) recharacterized as equity or (ii) equitably subordinated to the claims of unsecured creditors.

The NCFE Entities dispute all of the claims by the Debtors and the Committee.

As described below, the Plan contemplates that the True Sale Litigation and the affirmative claims for recovery, as well as the effort to equitably subordinate and/or recharacterize the claims of the NCFE Entities will be transferred to, and pursued by, the Distribution LLC with the benefits of the efforts of the Distribution LLC to accrue to unsecured creditors of the Debtors.

At the time of the filing of this Disclosure Statement, the Debtors and the NCFE Entities have agreed to a standstill of the True Sale Litigation and other disputes directly between them (including the objection to the Debtors' claims asserted in the NCFE Entities' chapter 11 cases) in the Bankruptcy Courts of both Ohio and Washington, D.C. until the earliest of (a) 120 days from September 15, 2003, (b) the termination of the exclusive periods for these Debtors, (c) the appointment of a trustee or examiner for these Debtors, or (d) the conversion of any of these Chapter 11 Cases to a Chapter 7 case. The standstill agreement does not affect any right or ability of the Committee to pursue claims against the NCFE Entities or of the NCFE Entities to oppose, challenge or defend against any such claim.

2. *Other*

The Debtors are also parties to several medical malpractice and personal injury lawsuits that were automatically stayed by section 362 of the Bankruptcy Code at the Commencement Date. Under certain circumstances, the Debtors have agreed to limited modifications of the stay to permit plaintiffs in medical malpractice lawsuits to proceed against the proceeds of any insurance policies held by the Debtors, and the Court has approved of such agreements.

Attached as Exhibit [9] to this Disclosure Statement is a chart generated by Gallagher Healthcare Insurance Services, the Debtors' insurance broker. The chart describes the insurance policies that were in place for each of the Debtors' hospital facilities from 1998 through 2002, the types of policies, the limits of coverage, and the applicable amounts of deductibles or self-insured retentions. In sum, from mid-1999 through 2001, all of the Debtors' hospitals were consolidated under one insurance policy issued by TIG, which included general liability, professional liability and umbrella coverage. Since 2002, the Debtors effectively have

been "self-insured" for the first $5 million of claims and defense costs, with excess liability coverage provided by AIG and CNA.

D. Appointment of Independent Director and Chief Restructuring Officer

From very early in these Chapter 11 Cases, the Debtors considered the possibility of retaining an independent board member. The ultimate ownership of the Debtors was concentrated in a relatively few number of individuals, who were also involved in the day-to-day management of, and implementation of strategic initiatives for, the Debtors. The Debtors recognized that their corporate governance would be enhanced for the benefit of all constituents if an independent person unaffiliated with the Debtor's current management was added to their corporate boards.

Since the Commencement Date, the Debtors also have pursued a dual-track liquidation/reorganization process, which requires the Debtors to evaluate the relative merits of proposals both to reorganize their businesses (or segments thereof) and to liquidate their assets (or portions thereof). This process already has resulted in the sale of substantially all of the assets of Pine Grove, as discussed above. Among the potential proposals explored by the Debtors has been a potential reorganization proposal by certain members of the Debtors' management, who also hold equity in DCHC.

The development of a potential reorganization proposal by certain members of the Debtors' management crystallized the need for an independent voice and decision maker for the Debtors. The Debtors and the Debtors' management recognized that, when other third-party sales alternatives concurrently were being pursued by the Debtors, the potential conflicts inherent in evaluating a proposal submitted by members of management were heightened. Consequently, the Debtors and the Debtors' management sought authority from the Bankruptcy Court to employ a previously-unaffiliated chief restructuring officer and independent director, bestowed with exclusive authority to evaluate the relative merits of all reorganization and asset-sale proposals submitted to the Debtors, thus enabling the Debtors to take full account of and select from the maximum number of proposals, including any proposal submitted by members of management. Towards this end and pursuant to the Bankruptcy Court's order dated August 11, 2003, the Debtors employed Thomas M. Reardon as chief restructuring officer and independent director of each of the Debtors (other than Pine Grove) (the "Independent Director"). As a result of this arrangement, the Debtors were able to obtain a binding "Recapitalization Proposal" for substantially all of the assets and New Stock of DCHC, Greater Southeast, Pacifica, Hadley and Michael Reese.

Since his retention, the Independent Director, both in his capacity as an independent director and chief restructuring officer, has conferred regularly with the Debtors' front-line hospital management concerning day-to-day hospital operations, hospital expenditures, patient care and other matters. The Independent Director also has been actively involved in the development of the plan and auction processes discussed below, evaluating and exploring proposals for the Debtors' stock and assets, and in settlement discussions and other interactions with various creditor constituencies.

E. Auction Process and Lack of Restructuring Alternatives

Shortly after the commencement of the Chapter 11 Cases, the Debtors retained Cain Brothers as their investment bankers to explore the possibility of a sale of the Debtors, either as a group of hospitals or individually, and the feasibility of restructuring each of the Debtors on a stand-alone basis. A stand-alone restructuring was abandoned quickly as the ability of these Debtors to reorganize based exclusively on their own individual cash flows was highly suspect. Any reorganization would require outside sources of debt and/or equity financing, or a sale of the facilities, to be successful. The Recapitalization Proposal, in fact, represents a proposal based upon outside sources of both debt and equity financing.

The Recapitalization Proposal, however, was not presented until approximately eight (8) months after the commencement of these Chapter 11 Cases. By that time, Cain Brothers seriously had begun the process of introducing the Debtors and their facilities to potential third-party purchasers, and, as noted above, Pine Grove had been sold through a successful auction process.

Once the Recapitalization Proposal was received, the Debtors determined that it was not in the best interest of their estates to abandon the sales process that previously had been started.[10] Instead, they determined that it would be in the best interest of their estates to try to establish an environment in which the Recapitalization Proposal would compete with potential third-party proposals for the Debtors. To this end, the Debtors sought and obtained approval of certain bidding procedures (the "Bidding Procedures") which designate the Recapitalization Proposal as a stalking horse bid and invite competitive bids for each of the Debtors. In short, the Bidding Procedures provide that an auction will be held on November 24, 2003 for the Debtors' stock and/or assets by and among the proponents of the Recapitalization Proposal and third parties who are qualified by the Independent Director, after consultation with the Creditors' Committee and NCFE, to participate in the auction. The entity or entities that are determined to be the "Winning Bidders" at the auction will proceed to acquire either the assets or the new stock of the Debtors as set forth in the Plan and described in further detail below. In determining the "Winning Bidders," the Independent Director also will consider whether accepting a bid or closing and liquidating one or more of the Debtors (either promptly or over time) is in the best interest of these estates. A copy of the Bidding Procedures is attached as Exhibit [4].

The auction, in sum, will provide the opportunity for the available alternatives to realize value for the Debtors' estates to be tested in market conditions, established through a court-approved notice and invitation to bid procedure. Market testing is the most significant factor in determining whether to confirm a plan of reorganization like this one, where existing equity owners of the debtors may be participating in the reorganized debtors as equity owners, so as to ensure that those equity owners are not receiving the opportunity to participate in the reorganized debtors at an unfair discount based on their existing equity interests but rather on account of competitively arrived-at consideration paid for the stock of a reorganized entity. See Bank of America National Trust & Savings Assoc. v. 203 North LaSalle Street Partnership, 526 U.S. 434 (1999).

[10] The Debtors reached this conclusion even though their exclusive periods to propose and confirm a plan of reorganization had not expired.

F. Bar Dates and Summary of Claims

1. *Schedules and Statements*

On February 19, 2003, the Debtors filed their respective Statements of Financial Affairs and Schedules of Assets and Liabilities (collectively, as amended, the "Schedules").

2. *Bar Date*

By an order dated March 3, 2003 (the "Bar Date Order"), pursuant to Bankruptcy Rule 3003(c)(3), the Bankruptcy Court fixed May 30, 2003 (the "Bar Date") as the date by which proofs of claim by all non–governmental claimants were required to be filed in these Chapter 11 Cases, except as otherwise provided for in the Bar Date Order. In accordance with the Bar Date Order, on or about April 25, 2003, a proof of claim form, a notice regarding the scheduling of each Claim and a notice regarding the Bar Date and the Bar Date Order were mailed to all creditors listed on the Debtors' Schedules. A proof of claim form, a notice regarding the Bar Date and the Bar Date Order were also mailed, in accordance with the Bar Date Order, to, among others, the members of the Committee and all persons and entities requesting notice pursuant to Bankruptcy Rule 2002 as of the entry of the Bar Date Order. Notice of the Bar Date also was published in newspapers of general circulation in each of the metropolitan areas where the Debtors' hospitals are located. The Debtors have received approximately 1,850 proofs of claim and equity interest.

The Bar Date Order further fixed July 9, 2003 as the date by which proofs of claim must be filed by governmental units in these Chapter 11 Cases.

3. *Summary of Claims*

Based upon review of its Schedules and an initial review of the proofs of claim filed in these Chapter 11 Cases, the Debtors believe that a total of approximately $1.2 billion in non-duplicative claims have been filed against or scheduled by them, including in excess of $600 million in claims filed by the NCFE Entities. In arriving at this estimate, the Debtors have given effect to their substantive consolidation for purposes of the Plan, and thus, for example, the Debtors have not counted more than once the more than $600 million in claims that the NCFE Entities have asserted against multiple Debtors.

Attached as Exhibit [10] is a chart that summarizes the Debtors' current understanding of the non-duplicative scheduled and filed claims against them, excluding in all instances any asserted claim or interest of the NCFE Entities, employee-related claims and patient refund claims. In summary, that chart indicates that a total of $608,820,500.76 in claims have been asserted against all of the Debtors. Of this amount, $77,413,944.76 represents claims asserted by trade creditors or other types of creditors for goods and services. This aggregate amount of trade creditor claims compares to approximately $60,000,000.00 in these types of claims listed on the Debtors' Schedules. Also, $464,491,786.00 of the $608,820,500.76 in total filed or scheduled non-duplicative claims represents claims asserted based upon medical malpractice or other professional liability on behalf of the Debtors.

The Debtors have not undertaken an exhaustive analysis to determine to what extent the non-duplicative scheduled and filed claims are valid. The actual amount of these

claims that will share in distributions from these estates depends upon whether the Recapitalization Proposal or some combination of sales to third-party bids and/or the orderly liquidation of one or more of the Debtors is the alternative ultimately chosen by the Debtors as the means for the implementation of the Plan. Under the Recapitalization Proposal, many of these claims, for example, all medical malpractice or other professional liability claims, will be assumed by the Reorganized Debtors. Similarly, the vast majority of the claims asserted by lessors or others who assert an interest (like a secured interest) in property in the possession of the Debtors will be assumed by the Reorganized Debtors under the Recapitalization Proposal. The extent to which liability for any of these claims will be assumed by a third party bidder or bidders for the Debtors' assets is unknown at this time. Similarly, the extent of these claims should leases be rejected, and/or collateral disposed of for less than the claimed amount owed to a secured creditor with respect thereto, is speculative at this time. To the extent that the Debtors are liquidated other than in a transaction that involves their sale as a going concern, none of these claims will be assumed and the actual claims against these estates likely will increase. In any event, the resolution of these claims will be managed by the Distribution LLC and not by the Debtors.

III. THE RECAPITALIZATION PROPOSAL

Any description of the Recapitalization Proposal contained herein is qualified in its entirety by the terms of the Recapitalization Proposal itself. The Recapitalization Proposal contemplates the reorganization of each of the Debtors (other than Pine Grove) through a combination of debt and equity financing. In particular, under the Recapitalization Proposal, the Debtors will obtain new asset-based (receivables) financing, restructure certain of their existing secured debt, sell the real estate of Michael Reese, assume the obligation to pay certain pre- and post-petition Claims, and receive an infusion of equity financing.[11]

The Recapitalization Proposal provides that, following the reorganization, the Reorganized Debtors will continue to operate as an affiliated group of hospitals, substantially owned by Reorganized DCHC. Minority owners of each of Reorganized Michael Reese, Reorganized Greater Southeast, Reorganized Hadley and Reorganized Pacifica will have an option to purchase such Reorganized Debtor in full after three (3) years at the then-current market rate. If any such option is not exercised, Reorganized DCHC will have the option to purchase such minority owner's stake in the respective Reorganized Debtor at the then-current market value.

The detailed terms of the Recapitalization Proposal are set forth in Exhibit [7] and component documents attached as Exhibits [7A] through [7L].

IV. THE SALE PROCESS

As discussed above, consistent with the dual-track liquidation/reorganization process pursued by the Debtors, and in order to more fully market test the Recapitalization

[11] Specifically, the Recapitalization Proposal contemplates that the Reorganized Debtors will enter into direct agreements with certain of the Debtors' creditors and will assume all medical malpractice liability such that the claims against these estates which are required to be paid from the Distribution LLC shall be as follows: (a) Allowed Administrative Expense Claims other than post-petition claims incurred in the ordinary course, (b) Allowed Priority Tax Claims; (c) the Claims of NCFE, as and when Allowed, (d) approximately $1.8 million in Other Secured Claims, and (e) approximately $54 million in General Unsecured Claims.

Proposal, the Debtors have put substantially all of the assets and/or New Stock of DCHC, Greater Southeast, Hadley, Pacifica and Michael Reese up for bid. To facilitate this process, on October 24, 2003, the Bankruptcy Court approved the Bidding Procedures.

The Bidding Procedures establish a process for the Sale of substantially all of the assets and/or New Stock of the Debtors (other than Pine Grove). The Bidding Procedures are intended to provide potential purchasers an opportunity to submit a Bid to purchase some or all of the Debtors' assets and/or New Stock, after each potential purchaser has been provided an opportunity to conduct due diligence. To ensure the financial viability of the proposals submitted, the Debtors have required each potential purchaser to demonstrate its financial capacity to close the proposed transaction. All Bids are due on November 21, 2003.

In accordance with the Bidding Procedures, the Recapitalization Proposal will serve as the "Stalking Horse Bid" by setting a floor that other Bids, either by themselves or in combination with other Bids, generally are required to exceed. In connection therewith, the proponents of the Recapitalization Proposal made a $1 million deposit in support of the Recapitalization Proposal on [October 29, 2003]. In return for serving as the Stalking Horse Bidders, the proponents of the Recapitalization Proposal shall be entitled to a "Break-Up Fee" in the event the Recapitalization Proposal is not selected as the Winning Bid. The Break-Up Fee is equal to two-percent (2%) of the cash contribution value of the Recapitalization Proposal, not to exceed $800,000.00

After all Bids are received on November 21, 2003, the Independent Director, after consulting with the Committee and NCFE, will determine if any Bid or combination of Bids provide greater value than the Recapitalization Proposal (taking into account the payment of the Break-Up Fee). If the Independent Director determines that a Bid or combination of Bids is better than the Recapitalization Proposal or, in his business judgment, that an auction is likely to produce a greater return for the Debtors' creditors than the Recapitalization Proposal, notwithstanding the failure to obtain a Bid or combination of Bids better than the Recapitalization Proposal, the Debtors will conduct a live auction to consider additional competing offers commencing on November 24, 2003, at the offices of the Debtors' counsel in Washington, D.C., unless a different location for the auction is announced in advance. If the Independent Director determines that no Bid or combination of Bids is better than the Recapitalization Proposal and, in his business judgment that an auction is unlikely to produce a greater return for the Debtors' creditors than the Recapitalization Proposal, the Recapitalization Proposal will be deemed the Winning Bid, and the Debtors will proceed to confirmation of the Plan based on the Recapitalization Proposal.

In the event of an auction, the Independent Director, after consulting with the Committee and NCFE, and in accordance with Bidding Procedures, will select the best Bid or combination of Bids made at the auction, and such Bid or combination of Bids will be considered the Winning Bid or Winning Bids.

Notwithstanding the foregoing, the Independent Director, after consulting with the Committee and NCFE, may reject any Winning Bid as inadequate and/or choose to liquidate Hadley, Greater Southeast, Pacifica and/or Michael Reese if doing so likely would provide greater value to the Debtors' estates than any bid therefor. Any such Unsold Facilities will be

transferred to the Distribution LLC on the Effective Date to be wound down, liquidated or otherwise disposed of by the LLC Agent.

V. THE PLAN

The Debtors believe that implementation of the Plan will provide holders of Allowed Claims a greater distribution than they would receive if the Chapter 11 Cases were converted to chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as Exhibit "1" and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the provisions of the Plan.

A. Classification and Treatment of Claims and Equity Interests

The Plan classifies Claims and Equity Interests separately and provides different treatment for different Classes of Claims and Equity Interests in accordance with the Bankruptcy Code. As described more fully below, the Plan provides, separately for each Class, that holders of certain Claims will receive various amounts and types of consideration, thereby giving effect to the different rights of holders of Claims and Equity Interests in each Class.

1. *Administrative Expense Claims*

Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to different treatment, or as otherwise provided in the case of professional compensation and reimbursement Claims, the LLC Agent shall pay to each holder of an Allowed Administrative Expense Claim, on the later of the Effective Date and the date that such Allowed Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as practicable, an amount in Cash equal to the Allowed amount of such Claim; provided, however, that the Allowed Administrative Expense Claims representing obligations incurred in the ordinary course of business of the Debtors as Debtors in Possession or liabilities arising under loans or advances to or other obligations incurred by any of such Debtors in Possession (including, without limitation, Claims for medical malpractice that have arisen since the Commencement Date) shall be paid in full and performed by the LLC Agent or the Reorganized Debtors, as the case may be, in accordance with the terms and subject to the conditions of the particular transactions and any applicable agreement.

2. *Professional Compensation and Reimbursement Claims*

All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement for expenses incurred through and including the Effective Date under section 503(b) of the Bankruptcy Code shall (a) file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is 45 days after the Effective Date or such other date as may be fixed by the Bankruptcy Court, and (b) if granted such an award by the Bankruptcy Court, be paid in full in such amounts as are Allowed from the Distribution LLC (i) on the date such award is granted by a Final Order, or as soon thereafter as is practicable, or (ii) upon such other terms as may be mutually agreed upon by the relevant professional and the Debtors or, after the Effective Date, the LLC Agent.

3. *Priority Tax Claims*

Except to the extent that any entity entitled to payment of any Allowed Priority Tax Claim agrees to different treatment, the relevant Reorganized Debtor(s) under the Recapitalization Proposal, assuming it is the Winning Bid, or if otherwise specifically assumed pursuant to the terms of a Winning Bid, shall pay to each holder of an Allowed Priority Tax Claim equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to four percent (4%), over a period through the sixth anniversary of the date of assessment of such Allowed Priority Tax Claim, but the LLC Agent shall pay any Allowed Priority Claim not assumed by a Reorganized Debtor or Winning Bidder, as applicable, in full in Cash on the later of the Effective Date and the date such Allowed Priority Tax Claim becomes and Allowed Priority Tax Claim, or as soon thereafter as is practicable (with the first payment commencing on the first anniversary of the Effective Date).

4. *Class 1—DIP Claims*

In full and complete satisfaction, settlement and release of and in exchange for the DIP Claim, the holder(s) of the DIP Claim, except to the extent the holder(s) of the DIP Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, shall be paid in full in Cash on the Effective Date pursuant to the terms of the DIP Agreement from the Distribution LLC.

5. *Class 2—Other Priority Claims*

In full and complete satisfaction, settlement and release of and in exchange for the Allowed Other Priority Claims, each holder of an Allowed Other Priority Claim shall receive, except to the extent that such holder of an Allowed Other Priority Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, Cash from the LLC Agent in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Allowed Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

6. *Class 3—HCRI Senior Secured Claim*

In full and complete satisfaction, settlement and release of and in exchange for any Allowed HCRI Senior Secured Claim, the holder of such Allowed HCRI Senior Secured Claim shall receive, except to the extent that the holder of such Allowed HCRI Senior Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment,[12] on any Closing Date when any of the HCRI Pacifica Collateral is transferred to a Winning Bidder(s) or another party pursuant to a sale arranged by the LLC Agent, or as soon thereafter as is practicable, Cash from the Distribution LLC in the amount of the net proceeds received from such Winning Bidder(s) or other party attributable to such HCRI Pacifica Collateral; provided,

[12] HCRI may be a bidder for the HCRI Collateral in the Sale. To the extent it is, it may credit bid its Secured Claim in the Sale. HCRI has also agreed that if the New Stock is issued pursuant to the Recapitalization Proposal, it will retain its lien and restructure its debt as described in Exhibits [7] and [7D] to this Disclosure Statement. Certain payments are required to be made to HCRI in connection with the restructuring of its debt under the Recapitalization Proposal. Those payments will be made by the Distribution LLC if the Recapitalization Proposal is the Winning Bid.

however, that the sum of distributions provided to the holder of the Allowed HCRI Senior Secured Claim shall not exceed $18.8 million, plus accrued interest at the non-default rate since the Commencement Date; provided further, however, in the sole discretion of the LLC Agent, in the event any HCRI Pacifica Collateral constitutes Non-auctioned Property, the holder of such Allowed HCRI Senior Secured Claim may receive such Non-auctioned Property and the amount of the Allowed HCRI Senior Secured Claim shall be reduced by the value of such Non-auctioned Property.

7. *Class 4—Medline Senior Secured Claim*

In full and complete satisfaction, settlement and release of and in exchange for any Allowed Medline Senior Secured Claim, the holder of such Allowed Medline Senior Secured Claim shall receive, except to the extent that the holder of such Allowed Medline Senior Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment,[13] on any Closing Date when any of the Medline Michael Reese Collateral is transferred to a Winning Bidder or another party pursuant to a sale arranged by the LLC Agent, or as soon thereafter as is practicable, Cash from the Distribution LLC in the amount of the net proceeds received from such Winning Bidder or such other party attributable to such Medline Michael Reese Collateral; provided, however, that the sum of distributions provided to the holder of the Allowed Medline Senior Secured Claim shall not exceed $15.6 million, plus accrued interest at the non-default rate since the Commencement Date; provided further, however, in the sole discretion of the LLC Agent, in the event any Medline Michael Reese Collateral constitutes Non-auctioned Property, the holder of such Allowed Medline Senior Secured Claim may receive such Non-auctioned Property and the amount of the Allowed Medline Senior Secured Claim shall be reduced by the value of such Non-auctioned Property.

8. *Class 5—Other Secured Claims*

In full and complete satisfaction, settlement and release of and in exchange for the Allowed Other Secured Claims, except to the extent that the holder of an Allowed Other Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, on the later of the Closing Date when the Collateral securing such Allowed Other Secured Claim is transferred to a Winning Bidder or another party pursuant to a sale arrangement by the LLC Agent and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable, as determined by the terms of the Winning Bid(s), (i) such Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, or (ii) the holder of such Allowed Other Secured Claim shall receive Cash from the LLC Agent in an amount equal to the lesser of the amount of the net proceeds received from such Winning Bidder or such other party attributable to such Collateral, after the satisfaction of all Senior Claims thereto, and the amount of such Allowed Other Secured Claim; provided, however, in the sole discretion of the LLC Agent, in the event such Collateral constitutes Non-auctioned Property, the holder of such Allowed Other Secured

[13] Medline may be a bidder for the Medline Michael Reese Collateral in the Sale. To the extent it is, it may credit bid its Secured Claim in the Sale. Medline has also agreed that if the New Stock is issued pursuant to the Recapitalization Proposal, it, among other things, will acquire Michael Reese's real property and certain equity in Reorganized DCHC for $24 million, to be paid in cash and the cancellation of its Secured Claim and to lease back to Reorganized Michael Reese land and buildings sufficient to run its operations, all as more fully described in Exhibits [7] and [7C] to this Disclosure Statement.

Claim may receive such Non-auctioned Property after the satisfaction of all Senior Claims thereto and the amount of the Allowed Other Secured Claim shall be reduced by the value of such Non-auctioned Property.

9. *Class 6—Medical Malpractice Claims*

Except if the Recapitalization Proposal is the Winning Bid, in full and complete satisfaction, settlement and release of and in exchange for the Allowed Medical Malpractice Claims, prior to the Effective Date, the Debtors will cause the following to occur: (i) the execution of the Medical Malpractice Claimants Trust Agreement, thereby establishing the Medical Malpractice Claimants Trust; (ii) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Michael Reese; (iii) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Greater Southeast, Hadley, Pacifica and DCHC. The Medical Malpractice Claimants Trust will assume full responsibility for (i) resolving all Medical Malpractice Claims pursuant to the Medical Malpractice Claimants Trust Agreement and the Malpractice Claims Resolution Process provided therein, (ii) making payments in full on account of Medical Malpractice Claims that become Allowed under the conditions set forth in the Medical Malpractice Claimants Trust Agreement, (iii) fulfilling its other obligations under the Medical Malpractice Claimants Trust Agreement and (iv) paying its own costs and expenses. The Debtors are currently in negotiations with their insurers with respect to funding the Medical Malpractice Claimants Trust. Holders of Medical Malpractice Claims shall have recourse only against the Medical Malpractice Claimants' Trust on account of their Medical Malpractice Claims. To the extent that funding of the Medical Malpractice Claimants' Trust is not forthcoming and the Recapitalization Proposal is not the Winning Bid, the Debtors will amend the Plan to eliminate Class 6 and Class 10(a) and the holders of Class 6 and Class 10(a) claims will be classified as Class 10 General Unsecured Claims.

If, however, the Recapitalization Proposal is the Winning Bid, the Reorganized Debtors shall assume liability for all of their respective Medical Malpractice Claims and joint and several liability for all Medical Malpractice Claims of Pine Grove, and the legal, equitable and contractual rights to which a Medical Malpractice Claim entitles the holder thereof shall be unaltered. The Reorganized Debtors also will assume and be entitled to the benefits of any insurance that is available to the Debtors for Medical Malpractice Claims, in accordance with the provisions set forth for Class 10(a), as discussed below. Medical Malpractice Claims will be paid by the Reorganized Debtors, as, when and to the extent liquidated by a court or tribunal of competent jurisdiction or settlement.

10. *Class 7—NCFE Secured Claims*

In full and complete satisfaction, settlement and release of and in exchange for any Allowed NCFE Secured Claim, the holder of such Allowed NCFE Secured Claim shall receive, except to the extent that the holder of such Allowed NCFE Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, on the later of any Closing Date when any of the Collateral securing such Allowed NCFE Secured Claim is transferred to a Winning Bidder or another party pursuant to a sale arranged by the LLC Agent and the date such Allowed NCFE Secured Claim becomes an Allowed NCFE Secured Claim, or

as soon thereafter as is practicable, Cash from the Distribution LLC equal to the lesser of the amount of the net proceeds received from such Winning Bidder or such other party attributable to such Collateral, after the satisfaction of all Senior Claims thereto, and the amount of such Allowed NCFE Secured Claim; provided, however, in the sole discretion of the LLC Agent, in the event such Collateral constitutes Non-auctioned Property, the holder of such Allowed NCFE Secured Claim may receive such Collateral after the satisfaction of all Senior Claims thereto and the amount of such Allowed NCFE Secured Claim shall be reduced by the value of such Non-auctioned Property; provided further, however:

(i) To the extent the total distribution received by the holder of such Allowed NCFE Secured Claim is less than the amount of such Allowed NCFE Secured Claim, and to the extent such deficiency is attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Secured Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Secured Claim shall receive a Junior Secured Claim in an amount equal to such deficiency; but

(ii) To the extent the total distribution received by the holder of such Allowed NCFE Secured Claim is less than the amount of such Allowed NCFE Secured Claim, and to the extent such deficiency is not attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Secured Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Secured Claim shall receive a General Unsecured Claim in an amount equal to such deficiency.

11. *Class 8—NCFE Ownership Claims*

In full and complete satisfaction, settlement and release of and in exchange for any Allowed NCFE Ownership Claim, the holder of such Allowed NCFE Ownership Claim shall receive, except to the extent that the holder of such Allowed NCFE Ownership Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, on the later of any Closing Date when any property that is the subject of such Allowed NCFE Ownership Claim is transferred to a Winning Bidder(s) or another party pursuant to a sale arranged by the LLC Agent and the date such Allowed NCFE Ownership Claim becomes an Allowed NCFE Ownership Claim, or as soon thereafter as is practicable, Cash from the Distribution LLC equal to the lesser of the amount of the net proceeds received from such Winning Bidder or such other party attributable to the property that is the subject of such Allowed NCFE Ownership Claim, after the satisfaction of all Senior Claims thereto, and the amount of such Allowed NCFE Ownership Claim; provided, however, in the sole discretion of the LLC Agent, in the event such property that is the subject of an Allowed NCFE Ownership Claim constitutes Non-auctioned Property, the holder of such Allowed NCFE Ownership Claim may receive such property after the satisfaction of all Senior Claims thereto and the amount of such Allowed NCFE Ownership Claim shall be reduced by the value of such Non-auctioned Property; provided further, however:

(A) To the extent the total distribution received by the holder of such Allowed NCFE Ownership Claim is less than the amount of such Allowed NCFE Ownership

Claim, and to the extent such deficiency is attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Ownership Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Ownership Claim shall receive a Junior Secured Claim in an amount equal to such deficiency; but

(B) To the extent the total distribution received by the holder of such Allowed NCFE Ownership Claim is less than the amount of such Allowed NCFE Ownership Claim, and to the extent such deficiency is not attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Ownership Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Ownership Claim shall receive a General Unsecured Claim in an amount equal to such deficiency.

12. *Class 9—Junior Secured Claims*

In full and complete satisfaction, settlement and release of and in exchange for the Allowed Junior Secured Claims, each holder of an Allowed Junior Secured Claim shall receive, except to the extent such holder of an Allowed Junior Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, the following:

(i) Upon the latest of the Effective Date, the date such Allowed Junior Secured Claim becomes an Allowed Junior Secured Claim or the Closing Date when the Collateral securing such Allowed Junior Secured Claim is transferred to a Winning Bidder or another party pursuant to a sale arranged by the LLC Agent, or as soon thereafter as practicable, the holder of such Allowed Junior Secured Claim shall receive an amount equal to its Pro Rata share of the net proceeds received from such Winning Bidder or such other party attributable to the Collateral securing such Allowed Junior Secured Claim after all Senior Claims thereto have been satisfied.

(ii) Notwithstanding the foregoing, in the sole discretion of the LLC Agent, in the event that the Collateral securing such Junior Secured Claim constitutes Non-auctioned Property, the holder of such Junior Secured Claim may receive such Collateral after the satisfaction of all Senior Claims and pari passu Claims thereto and the amount of such Allowed Junior Secured Claim shall be reduced by the value of such Non-auctioned Property.

13. *Class 10—General Unsecured Claims*

In full and complete satisfaction, settlement and release of and in exchange for the Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim shall receive, except to the extent such holder of an Allowed General Unsecured Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, on the later of the Effective Date or the date such Allowed General Unsecured Claim becomes an Allowed General Unsecured Claim, or as soon thereafter as practicable, an LLC Interest entitling such holder to an amount equal to its Pro Rata share of the net proceeds remaining in the Distribution LLC after all

Senior Claims thereto have been satisfied; provided, however, no such distribution shall be made to the extent any Disputed Senior Claims to such proceeds remain and for which payment in the Disputed amount has been not otherwise reserved.

14. *Class 10(a)—Professional Liability Insurer Claims*

Except if the Recapitalization Proposal is the Winning Bid, in full and complete satisfaction, settlement and release of, and in exchange for, any Allowed Professional Liability Insurer Claim, the holder of such Allowed Professional Liability Insurer Claim shall be entitled to the benefits and protection of the Medical Malpractice Claimants Trust; provided, however, any holder of a Professional Liability Insurer Claim that does not fund the Medical Malpractice Claimants Trust shall not be entitled to the benefits and protection of the Medical Malpractice Trust and such Professional Liability Insurer Claim shall be treated as a General Unsecured Claim. The Debtors are currently in negotiations with their insurers with respect to funding the Medical Malpractice Claimants Trust. To the extent that this funding is not forthcoming and the Recapitalization Proposal is not the Winning Bid, the Debtors will amend the Plan to eliminate Class 6 and Class 10(a) and the holders of Class 6 and Class 10(a) claims will be classified as Class 10 General Unsecured Claims.

If the Recapitalization Proposal is the Winning Bid, the Reorganized Debtors shall assume all professional liability insurance, will be entitled to the benefits of that insurance in respect of Medical Malpractice Claims, and shall be liable for all Allowed Professional Liability Insurer Claims and Allowed Medical Malpractice Claims, as, when and only to the extent each becomes owing in the ordinary course of business. In such an event, each holder of a Professional Liability Insurer Claim will be conclusively presumed to have accepted the Plan and its vote, to the extent cast, shall be disregarded.

15. *Class 11—Equity Interests*

The holders of Equity Interests shall not receive any distributions on account of the Equity Interests. The Equity Interests of DCHC will be cancelled on the Effective Date. The Equity Interests of the other Debtors, which are directly or indirectly wholly-owned by DCHC, will be cancelled only if such Debtor is not to be retained in the same capacity as a direct or indirect wholly-owned subsidiary of a Reorganized DCHC.

B. Method of Distributions Under the Plan.

The LLC Agent shall make all distributions required by the Plan, other than, to the extent applicable, the Assumed Liabilities or as otherwise provided pursuant to the terms of the Winning Bid(s). The appropriate Reorganized Debtor(s) shall reimburse the Distribution LLC to the extent any funds from the Distribution LLC are used to satisfy any Assumed Liabilities thereof. Any payment of Cash made by the LLC Agent, a Reorganized Debtor or a Winning Bidder pursuant to the Plan may be made at the option of such party either by check drawn on a domestic bank or by wire transfer from a domestic bank.

As soon as is reasonably practical on or after the Effective Date, the LLC Agent shall remit to holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims an amount in Cash equal to the Allowed amount of such Claims, or such lesser amounts as agreed to by such holders.

Generally, any distribution to be made by the LLC Agent or the Reorganized Debtors shall be made to the extent and at the time provided in article [IV] of the Plan. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day but shall be deemed to have been completed as of the required date.

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents, copies of which will be provided to the LLC Agent and the Reorganized Debtors. The LLC Agent and the Reorganized Debtors must be notified in writing of a change of address. Neither the LLC Agent nor the Reorganized Debtors shall be liable for any distribution sent to the address of record.

As of the close of business on the Record Date, the claims register, as applicable, shall be closed, and there shall be no further changes in the record holder of any Claim. Neither the LLC Agent nor the Reorganized Debtors shall have any obligation to recognize any transfer of any Claim occurring after the Record Date. The LLC Agent and the Reorganized Debtors shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Record Date.

If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the LLC Agent, the relevant Reorganized Debtor(s) or the relevant Winning Bidder(s), as appropriate, is notified of such holder's then-current address, at which time all missed distributions shall be made as soon as is practicable to such holder, without interest. Checks issued by the LLC Agent, a Reorganized Debtor or a Winning Bidder in respect of Allowed Claims shall be null and void if not negotiated within sixty (60) days after the date of issuance thereof. Requests for re-issuance of any check shall be made in accordance with the notice provisions of section [12.10] of the Plan and to the LLC Agent, the relevant Reorganized Debtor(s) or the relevant Winning Bidder(s), as appropriate, by the holder of the Allowed Claim to whom such check originally was issued. All claims for undeliverable distributions or voided checks shall be made on or before ninety (90) days after the date such undeliverable distribution was initially made. After such dates, all such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall become unencumbered Cash of the Distribution LLC, the relevant Reorganized Debtor(s) or the relevant Winning Bidder(s), as the case may be. The holder of any such Claim shall not be entitled to any other or further distribution under the Plan on account of such Claim.

C. Executory Contracts and Unexpired Leases

On the Effective Date (unless such deadline is extended by the terms of the Winning Bid(s)), any executory contracts or unexpired leases not rejected or assumed and assigned in connection with a sale of assets and/or New Stock or otherwise shall be transferred to the Distribution LLC as part of the Remaining For-Sale Property.

Certain executory contracts and/or unexpired leases may be selected by the Winning Bidder(s) and in accordance with the Winning Bid(s) to be assumed by the appropriate Debtor(s) and assigned to the Winning Bidder(s) or the appropriate Reorganized Debtor(s). Any

executory contracts and/or unexpired leases so selected shall be assumed and assigned accordingly on the relevant Closing Date or as otherwise provided by the terms of the Winning Bid(s). In the case of the Recapitalization Proposal, its proponents will identify by November 21, 2003, those executory contracts and/or unexpired leases they wish to assume for the benefit of the Reorganized Debtors. The Debtors understand that the proponents of the Recapitalization Proposal intend to assume provider agreements with Medicare, Medicaid and any similar state or federal programs and to assume third-party payor agreements.

As part of its authority to liquidate the Pine Grove Remaining Assets and the Non-auctioned Assets, the LLC Agent shall have sole discretion whether to assume and assign or reject any remaining executory contracts or unexpired leases of Pine Grove or any executory contracts or unexpired leases that have not been assumed or rejected pursuant to section [8.1(b)] of the Plan or otherwise. Notwithstanding the foregoing, any such executory contracts or unexpired leases that have not been assumed by the close of ninety (90) days after the Effective Date shall be deemed rejected.

Except as otherwise agreed by the parties or provided pursuant to a Winning Bid, the LLC Agent shall cure all undisputed defaults under any assumed executory contract or unexpired lease in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed defaults that are required to be cured by section 365(b) of the Bankruptcy Code shall be cured either within thirty (30) days after the entry of a Final Order determining the amount, if any, of the liability with respect thereto, or as may otherwise be agreed to by the parties.

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court and served upon the Debtors or, on and after the Effective Date, the Reorganized Debtors and the LLC Agent, by no later than thirty (30) days after the effective date of rejection. Any Claims not filed within such applicable time periods will be forever barred from assertion against the Debtors and their estates, the Distribution LLC or the Reorganized Debtors and their property.

D. Deemed Substantive Consolidation for Plan Purposes.

Substantive consolidation is an equitable remedy that a bankruptcy court may be asked to apply in chapter 11 cases involving affiliated debtors. Substantive consolidation involves the pooling and merging of the assets and liabilities of the affected debtors. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors, and issues of individual corporate ownership of property and individual corporate liability for obligations are ignored.

Substantive consolidation of two or more debtors' estates generally results in (i) the deemed consolidation of the assets and liabilities of the debtors; (ii) the deemed elimination of intercompany claims, subsidiary equity or ownership interests, multiple and duplicative creditor claims, joint and several liability claims and guarantees; and (iii) the payment of allowed claims from a common fund.

The estates of the Debtors shall be deemed consolidated for purposes of voting on and distributions made under the Plan. Accordingly, (i) no distributions shall be made under the Plan on account of intercompany Claims among the Debtors, (ii) no distributions will be made

under the Plan on account of any Equity Interest held by one Debtor in any other Debtor, although a Reorganized DCHC may continue to hold all of the equity of any other Reorganized Debtor, in the same capacity, either directly or indirectly, unless such equity is otherwise cancelled in accordance with the provisions of the Plan, (iii) all guarantees of the Debtors of the obligations of any other Debtor shall be deemed eliminated so that any Claim against any Debtors and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors and (iv) each and every Claim filed or to be filed in the Chapter 11 Case of any of the Debtors shall be deemed filed against the consolidated Debtors and shall be deemed one Claim against the consolidated Debtors.

The deemed consolidation of the Debtors shall not (other than for purposes related to voting on and funding distributions under the Plan as set forth above in this section) affect: (i) the legal and organizational structure of the Debtors, (ii) pre- and post-Commencement Date guarantees, liens and security interests that are required to be maintained (A) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or (B) pursuant to the Plan, (iii) defenses to any cause of action or requirements for any third party to establish mutuality in order to assert a right of setoff and (iv) distributions out of any insurance policies or proceeds of such policies.

The Debtors believe that the deemed consolidation of their estates is warranted because of the great accounting difficulties associated with untangling the various intercompany transactions and loans made among the Debtors and providing for the payment of those intercompany obligations. The Debtors believe that the costs of doing so, if possible, would exceed any benefit derived by any Debtor's estate. Further, major creditors have dealt with the Debtors on a group rather than individual basis, both before and after the Commencement Date. By way of example and not limiting the generality of the foregoing, the Debtors are jointly and severally liable under the DIP Agreement and NCFE's Claims are allegedly secured by Collateral from all of the Debtors through cross-collateralization agreements. The Debtors also believe that the benefits of substantive consolidation generally will outweigh the detriment to creditors of particular Debtors, particularly through the elimination of intercompany obligations, as noted above. For example, the Debtors believe that certain Debtors whose assets (without accounting for any secured or similar debt) may be perceived to more valuable than the assets of other Debtors, may nonetheless owe significantly more intercompany debt than those Debtors with less valuable assets (again without accounting for any secured or similar debt on those assets). Thus, by eliminating these intercompany obligations, all creditors will benefit as more available assets will be distributed to them.

E. Provisions for Treatment of Disputed Claims

Disputed Claims are those Claims, or portions thereof, for which the Debtors have interposed (or have determined to interpose) a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order. Any Claim proof of which was required to be filed by order of the Bankruptcy Court but as to which a proof of claim was not timely or properly filed is a Disputed Claim. A Claim that is Disputed by the Debtors as to its amount only, shall be deemed Allowed in the amount the Debtors admit owing, if any, and Disputed as to the excess.

All Tort Claims are Disputed Claims. Pursuant to section 157(b) of title 28 of the United States Code, the Bankruptcy Court may not hear and determine the liquidation or estimation of contingent or unliquidated personal injury tort or wrongful death claims against the Debtors for purposes of distribution in these Chapter 11 Cases. Accordingly, any Tort Claim as to which a proof of claim was timely filed in the Chapter 11 Cases shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Confirmation Date or, if no such action was pending on the Confirmation Date, in any administrative or judicial tribunal of appropriate jurisdiction.

Similarly, any Medical Malpractice Claim (Class 6) as to which a proof of claim was timely filed in the Chapter 11 Cases shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Confirmation Date or, if no such action was pending on the Confirmation Date, in any administrative or judicial tribunal of appropriate jurisdiction; provided, however, that the holder of any timely-filed Medical Malpractice Claim first participates in any alternative dispute resolution process established in connection with the Medical Malpractice Claimants' Trust.

If any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on any portion of such Claim that is Disputed unless and until and only to the extent such portion becomes Allowed.

Other than with respect to Claims expressly assumed by a Reorganized Debtor, the LLC Agent shall have the right to the exclusion of all others (except as to applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, file and prosecute objections to Claims. With respect to Claims expressly assumed by a Reorganized Debtor, such Reorganized Debtor shall have the right to the exclusion of all others (except as to applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, file and prosecute objections to Claims. The LLC Agent and the Reorganized Debtors each shall bear their own costs in pursuing objections to Claims. The LLC Agent or the Reorganized Debtor(s), as the case may be, shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, unless such Claim was already the subject of a valid objection by the Debtors. In no event shall the service of such an objection be later than 120 days after the Effective Date, unless such date is extended by order of the Bankruptcy Court. All objections shall be litigated to a Final Order except to the extent that the LLC Agent and/or the Reorganized Debtor(s), whichever prosecuted the objection, elects to withdraw such objection, or the LLC Agent and/or the Reorganized Debtor(s), as the case may be, and the holder of the Disputed Claim compromise, settle or otherwise resolve any such objections, in which event they may settle, compromise or otherwise resolve any Disputed Claim without approval of the Bankruptcy Court.

On and after the Effective Date, the LLC Agent shall hold in the GUC Disputed Claims Reserve (i) Cash in an aggregate amount sufficient to pay to each holder of a Disputed General Unsecured Claim the amount that such holder currently would be entitled to receive under the Plan if such Disputed General Unsecured Claim immediately becomes Allowed in full, (ii) net earnings on such Cash and (iii) LLC Interests representing the interests that such holders would be entitled to receive under the Plan if such Disputed Claim becomes Allowed in full. All Cash and cash equivalents and earnings thereon contained in the GUC Disputed Claims Reserve

shall be used to satisfy any expense incurred in connection with the maintenance of such reserve, including administrative expenses incurred in the operation of the applicable trust and taxes payable on such interest income.

On and after the Effective Date, the LLC Agent shall hold, in a separate reserve, Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim (other than a General Unsecured Claim) the amount that such holder currently would be entitled to receive under the Plan if such Disputed Claim immediately becomes Allowed in full. All net earnings on such Cash shall be transferred to the Distribution LLC for the benefit of the holders of Allowed General Unsecured Claims. The reserve for Disputed Claims other than General Unsecured Claims will not be treated as a separate taxable entity for federal income tax purposes.

The LLC Agent or, if applicable and subject to the terms of the relevant Winning Bid(s), the appropriate Reorganized Debtor(s) may, at any time, request the Bankruptcy Court to estimate any Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors have previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including during litigation concerning any objection to such Claim. In the event the Bankruptcy Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on the Allowed amount of such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the Allowed amount of such Claim, the LLC Agent or the Reorganized Debtor(s) may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

If, on or after the Effective Date, any Disputed Claim, or portion thereof, becomes an Allowed Claim, the LLC Agent shall, as soon as practicable following the date on which the Disputed Claim, or portion thereof, becomes an Allowed Claim, distribute to the holder of such Allowed Claim the amount, without any interest thereon, that such holder would have received pursuant to article [IV] of the Plan had the Disputed Claim, or portion thereof, always been an Allowed Claim, which amount shall not exceed the amount of Cash reserved on account of such Claim.

To the extent that all or a portion of a Disputed Claim is disallowed, the holder of such Claim shall not receive any distribution on account of the portion of such Claim that is disallowed, and any Cash or LLC Interests reserved on account of the disallowed portion of such Claim shall be available for the LLC Agent to distribute to holders of Allowed Claims, as appropriate, pursuant to the terms of the Plan.

F. Conditions Precedent to the Effective Date.

The following are conditions precedent to the Effective Date of the Plan:

- The Bankruptcy Court shall have entered the Confirmation Order, which shall be in form and substance satisfactory to the Debtors and the Investors;

- No stay of the Confirmation Order shall then be in effect at the time the other conditions to effectiveness of the Plan are satisfied or waived;

- A Final Order shall have been entered approving the Bidding Procedures;

- As estimated jointly by the Debtors and the Committee, and the Bankruptcy Court if they do not agree, the aggregate amount of all Allowed General Unsecured Claims, excluding any unsecured claim of the NCFE Entities, to share in distributions from the Distribution LLC shall be no more than $60,000,000.00 but only if the Recapitalization Proposal is the Winning Bid;

- All authorizations, consents, and regulatory approvals required (if any) in connection with the effectiveness of the Plan shall have been obtained;

- All documents, instruments and agreements, in form and substance satisfactory to the Debtors, provided for under or necessary to implement the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby;

- The Distribution LLC shall have been established and all the relevant documents with respect thereto executed;

- In the event the Winning Bid is not the Recapitalization Proposal and the Debtors have not exercised their retained right to eliminate Class 6 and Class 10(a), the Medical Malpractice Claimants Trust shall have been established and funded by the Professional Liability Insurers and all the relevant documents with respect thereto executed;

- In the event that the Recapitalization Proposal is the Winning Bid, the Reorganized Articles of Incorporation and Reorganized By-laws shall have been adopted by each of the Debtors other than Pine Grove;

- If the Winning Bid is the Recapitalization Proposal, all conditions to closing shall have occurred or been waived by the party benefiting thereby. If the Winning Bid is not the Recapitalization Proposal, all conditions to closing relating to the Sale of assets and/or New Stock of at least two (2) of the Debtors shall have occurred or been waived by the party benefiting thereby; and

- The Debtors shall have filed a Notice of Effectiveness with the Bankruptcy Court and served a copy of the same on the counsel for the Committee, by electronic mail or facsimile.

The Debtors may waive, by a writing signed by an authorized representative of the Debtors and subsequently filed with the Bankruptcy Court, one or more of the conditions precedent to effectiveness of the Plan set forth above, other than the condition that the aggregate amount of all Allowed General Unsecured Claims be no more than [_____], which only may be waived by the Committee.

In the event that one or more of the conditions of the Plan set forth above have not occurred, or been waived, on or before the date that is 180 days after the Confirmation Date, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date

never occurred and (d) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other Person or Entity or to prejudice in any manner the rights of the Debtors or any Person or Entity in any further proceedings involving the Debtors

G. Implementation

1. *Sale*

(a) Bidding Procedures. Prior to the filing of the Plan and this Disclosure Statement, the Debtors filed a motion with the Bankruptcy Court requesting approval of the Bidding Procedures. The Bidding Procedures were approved by the Bankruptcy Court on October 24, 2003. As discussed above, the Bidding Procedures provide, among other things, for the Sale of DCHC, Hadley, Greater Southeast, Pacifica and Michael Reese and/or their respective assets. Bids will be considered to acquire the New Stock of any of the foregoing Debtors and/or purchase substantially all of their respective assets. A Winning Bid will be a Bid that the acceptance of which, in the sole discretion of the Independent Director and in accordance with the Bidding Procedures, either by itself or in conjunction with the acceptance of another Winning Bid or other Winning Bids, provides the greatest benefit to the Debtors' estates and the creditors' thereof.

(b) Transfer of Assets. On the relevant Closing Date, in exchange for the payment of the Sale Proceeds and the assumption of the Assumed Liabilities related thereto, the assets and, if applicable, the New Stock that are the subject of a Winning Bid shall be retained by the Reorganized Debtors or conveyed to the Winning Bidder(s) or other part(ies) as provided by the terms of the Winning Bid(s), free and clear of all claims, liens, and encumbrances or other interests therein, except to the extent otherwise provided in the Winning Bid(s). If the relevant Closing Date occurs after the Effective Date, such assets and/or New Stock will be so transferred by the LLC Agent to the Winning Bidder(s). If the relevant Closing Date occurs on the Effective Date, such assets and/or New Stock will be transferred by the appropriate Debtor(s) to the Winning Bidder(s). In either event, the Winning Bidder(s) will transfer the Sale Proceeds to the Distribution LLC on the relevant Closing Date, and any lien or encumbrance on or interest in any assets transferred to the Winning Bidder, or retained by the Reorganized Debtors, shall attach to the Sale Proceeds attributable to such assets and be afforded the same priority status.

(c) Assumed Liabilities. The Winning Bidder(s) will assume their respective Assumed Liabilities in accordance with their Winning Bid(s); provided, however, that with respect to any Allowed Claim that a Winning Bidder proposes to assume, if the treatment proposed by such Winning Bidder of such Allowed Claim is different than that provided in article [IV] of the Plan, excepting any requirement in article [IV] that the relevant distribution be paid by the LLC Agent, the holder of such Allowed Claim must consent to such different treatment. In the event that the holder of such Allowed Claim does not so consent, the Winning Bidder shall satisfy such Allowed Claim in accordance with article [IV] of the Plan.

(d) Unsold Facilities. The Bidding Procedures permit the Debtors the opportunity to reject any Winning Bid as inadequate or to choose to liquidate Hadley, Greater Southeast, Michael Reese and/or Pacifica if doing so would provide greater value to the Debtors'

estates than any bid therefor. In such an event, the Debtors will transfer any such "Unsold Facilities" to the Distribution LLC to be wound down and liquidated.

2. *Reorganized Debtors*

(a) Reorganized Articles of Incorporation. Each Debtor (other than Pine Grove) shall adopt Reorganized Articles of Incorporation prior to, but effective as of, the Closing Date of any sale pursuant to a Winning Bid providing for the conveyance of New Stock relating to such Debtor.

(b) Reorganized By-laws. Each Debtor (other than Pine Grove) shall adopt Reorganized By-laws prior to, but effective as of, the Closing Date of any sale pursuant to a Winning Bid providing for the conveyance of New Stock relating to such Debtor.

(c) New Stock. With respect to each Debtor (other than Pine Grove), New Stock for such Debtor shall be issued to the Winning Bidder(s) therefor in accordance with the terms of the Winning Bid, the Debtor's Reorganized Articles of Incorporation and the Debtor's Reorganized By-laws; provided, however, no New Stock for a Debtor shall be issued if such Debtor is to be transferred to a Winning Bidder, in its current capacity as a wholly-owned direct or indirect subsidiary of DCHC, as part of the issuance of New Stock of DCHC to a Winning Bidder.

3. *Cancellation of Equity Interests.*

On the Effective Date, the Equity Interests of DCHC will be terminated, cancelled and of no further force or effect. The Equity Interests of the other Debtors, which are directly or indirectly wholly-owned by DCHC, will be cancelled only if such Debtor is not to be retained in the same capacity as a direct or indirect wholly-owned subsidiary of a Reorganized DCHC.

4. *The Distribution LLC.*

(a) Establishment of the Distribution LLC. Prior to the Effective Date, the Debtors shall execute the Distribution LLC Agreement, which shall designate the LLC Agent as the manager of the Distribution LLC. The LLC Agent shall thereupon be authorized to take all other steps necessary to complete the formation of the Distribution LLC. The LLC Agent shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the assets of the Distribution LLC for the benefit of the holders of LLC Interests.

(b) Transfer of Assets. As of the Effective Date, the Debtors shall assign and transfer to the Distribution LLC all of their rights, title and interests in and to the Distribution LLC Assets. The Debtors or such other Persons that may have possession or control of such Distribution LLC Assets shall transfer possession or control of such property to the Distribution LLC prior to or as of the Effective Date and shall execute the documents or instruments necessary to effectuate such transfers. Such transfers shall be free and clear of any liens, claims and encumbrances, other than Continuing Liens, and no other entity, including the Debtors or Debtors in Possession, shall have any interest, legal, beneficial, or otherwise, in the Distribution LLC or the assets of the Distribution LLC upon their assignment and transfer to the Distribution LLC; provided, however, that all such assets will be transferred to the Distribution

LLC subject only to the obligation of the Distribution LLC to pay (i) Administrative Expense Claims, Priority Tax Claims, the DIP Claim, Other Priority Claims and Secured Claims that have not been paid or Allowed as of the Effective Date (but which are subsequently Allowed), (ii) any expenses incurred and unpaid, or to be incurred by the Debtors in respect of consummation of the Plan and winding up of the Debtors' estates, (iii) in the event there exists any Disputed Claims on the Effective Date, such Claims to the extent such Claims are subsequently Allowed, as set forth more fully in article [VII] of the Plan and (iv) post-Effective Date obligations of the Debtors, if any. In addition, in the event there exists any Disputed Claims on the Effective Date, the Distribution LLC shall at all times hold and maintain sufficient cash in an amount no less than that which would be required to distribute to the holders of Disputed Claims if all such Claims are subsequently Allowed, as set forth more fully in article [VII] of the Plan.

On the Effective Date, the LLC Agent and each holder of an Allowed General Unsecured Claim shall, by operation of the Plan, (i) be admitted to the Distribution LLC as a member of the Distribution LLC, (ii) become bound by the Distribution LLC Agreement, and (iii) receive an LLC Interest.

(c) Distributions; Beneficial Interests. All distributions from the Distribution LLC to holders of LLC Interests shall be made in accordance with such holders' relative beneficial ownership interests, at such times and in such amounts as shall be determined by the LLC Agent. The LLC Agent shall cause the Distribution LLC to retain sufficient funds as are reasonably necessary for the Distribution LLC to (i) meet contingent liabilities and to maintain the value of its non-cash assets until such assets are liquidated, (ii) pay reasonable administrative expenses of the Debtors and the Distribution LLC that have not been paid (including the Debtors' professional fees and expenses), or have not been Allowed as of the Effective Date but which are subsequently Allowed (including, but not limited to, the expenses of the LLC Agent and the Debtors' professional fees and expenses), (iii) fund the distribution to holders of Disputed Claims if and to the extent such Claims are subsequently Allowed and (iv) satisfy other liabilities incurred by the Distribution LLC in accordance with the Plan.

(d) Purpose of the Distribution LLC. The Distribution LLC shall be established for the sole purpose of liquidating its assets in furtherance of the Plan for the sole benefit of the holders of LLC Interests, with no objective to continue or engage in the conduct of a trade or business. The Distribution LLC shall be deemed not to be the same legal entity as any of the Debtors, but only an assignee of such assets of the Debtors that are transferred to the Distribution LLC within the meaning of section 1123(b)(3) of the Bankruptcy Code.

(e) Appointment of an LLC Agent. Prior to the Effective Date, the [members of the Committee] shall appoint the LLC Agent.

(f) Liquidation of Assets; Responsibility of LLC Agent. The LLC Agent shall have the power to (i) prosecute, compromise or settle for the benefit of the beneficiaries of the Distribution LLC all Litigation Claims, (ii) object to, oppose, negotiate and settle any Claims, (iii) liquidate the Distribution LLC Assets, (vi) wind down the affairs of the Debtors, including winding down any Unsold Facilities, and (v) otherwise perform the functions and take the actions provided for or permitted herein or in any other agreement executed by the LLC Agent pursuant to the Plan, in each case subject to the provisions of the Distribution LLC Agreement.

The LLC Agent shall, in an expeditious but orderly manner and subject to the provisions of the Distribution LLC Agreement, liquidate and convert to cash the Distribution LLC Assets, including conveying the Remaining For-Sale Property pursuant to the results of the Sale and collecting the Sale Proceeds, and, in a timely manner, distribute the resulting net proceeds, including the Litigation Proceeds, Cash and other Distribution LLC Assets pursuant to the distribution scheme set forth herein. In so doing, the LLC Agent shall exercise its reasonable business judgment in liquidating the assets of the Distribution LLC to maximize recoveries. The liquidation of such assets of the Distribution LLC may be accomplished either through the sale of the assets of the Distribution LLC (in whole or in combination, and including the sale of any Litigation Claims) or through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims or Litigation Claims, or otherwise. The LLC Agent shall, subject to the provisions of the Distribution LLC Agreement, have discretion to elect whether to pursue any and all Litigation Claims as the LLC Agent may determine are in the best interests of the members of the Distribution LLC, consistent with the purposes of the Distribution LLC. The LLC Agent shall have no liability to the Debtors, their estates, the members of the Distribution LLC, the Committee or any other party for the outcome of its decisions in this regard. The LLC Agent may incur any reasonable and necessary expenses in connection with the liquidation and conversion of the assets of the Distribution LLC to Cash.

(g) Prosecuting Litigation Claims. As soon as possible, the LLC Agent shall segregate exactly $3 million in Cash from the assets of the Distribution LLC to fund the prosecution, negotiation and settlement of the Litigation Claims and Disputed Claims. Thereafter, the LLC Agent shall further fund such activities from any Litigation Proceeds it collects, provided that those Litigation Proceeds are not subject to a Continuing Lien. Any funds designated by the LLC Agent to be used to fund the prosecution, negotiation and settlement of the Litigation Claims and Disputed Claims that are not so used, shall be made available for distribution to holders of Allowed Claims in accordance with distribution scheme set forth herein.

(h) Investing Powers. The right and power of the LLC Agent to invest any Cash transferred to the Distribution LLC, the cash proceeds from the liquidation of any assets transferred to the Distribution LLC and the realization or disposition of any Litigation Claims, and any income earned by the Distribution LLC shall be limited to the right and power to invest such cash in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities or investments permitted by section 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate credit risk or interest rate risk.

(i) Reporting Duties. The Distribution LLC will be treated as a partnership for federal tax purposes and, to the extent permitted under applicable law, for state and local income tax purposes. The LLC Agent shall be responsible for filing informational returns on behalf of the Distribution LLC and distributing information statements to holders of LLC Interests, setting forth each such holder's allocable share of the income, loss, deduction or credit of the Distribution LLC.

For federal income tax purposes, the Distribution LLC's taxable income (or loss) shall be allocated among the holders of LLC Interests in a manner consistent with applicable Treasury Regulations, taking into account such holders' relative economic interests in the

Distribution LLC. Each holder of an LLC Interest will be required to take into account its allocable share of the income, loss, deduction or credit of the Distribution LLC in determining its taxable income for federal income tax purposes.

The LLC Agent shall file (or cause to be filed) any other statements, returns or disclosures relating to the Distribution LLC, including the GUC Disputed Claims Reserve, that are required by any governmental unit or applicable law.

(j) Implementation of Distribution LLC. On the Effective Date, the Distribution LLC will become effective for the benefit of Allowed General Unsecured Claims subject to the obligations of the Distribution LLC set forth in section [6.5] of the Plan. The Distribution LLC Agreement shall be filed in the Plan Supplement and shall contain provisions customary for agreements of Delaware limited liability companies utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Distribution LLC as a partnership for federal income tax purposes.

(k) Income Tax and Related Information. The LLC Agent shall be authorized to collect such tax and fiscal information from holders of LLC Interests (including, without limitation, social security numbers and/or other tax identification numbers) as it in its sole discretion deems necessary to effectuate the Plan, and the Confirmation Order shall expressly provide this authority. Failure by any holder of an LLC Interest to furnish this information in a timely fashion will cause a waiver of some or all of such holder's rights (if any) under the Plan and the Confirmation Order.

(l) Expedited Determinations of Taxes. The LLC Agent may request an expedited determination of taxes of the Distribution LLC or the GUC Disputed Claims Reserve, under section 505(b) of the Bankruptcy Code, for all returns filed for, or on behalf of, the Distribution LLC or the GUC Disputed Claims Reserve for all taxable periods through the dissolution of such entities.

(m) Non-transferable; Registry of Beneficial Interests. Upon issuance thereof, beneficial interests in the Distribution LLC shall be non-transferable, except with respect to a transfer by will or under the laws of descent and distribution. Any such transfer, however, shall not be effective until and unless the LLC Agent receives written notice of such transfer. The LLC Agent shall maintain a registry of the holders of LLC Interests.

(n) Termination. The Distribution LLC will terminate after its liquidation, administration and distribution of the Distribution LLC Assets in accordance with the Plan and its material completion of all other duties and functions set forth herein or in the Distribution LLC Agreement, but in no event later than three (3) years after the Effective Date, unless extended by the LLC Agent pursuant to the terms of the Distribution LLC Agreement.

5. *Medical Malpractice Claimants Trust*

Prior to the Effective Date, but only if the Recapitalization Proposal is not the Winning Bid and the Debtors have not exercised their retained right to eliminate Class 6 and Class 10(a), the Medical Malpractice Claimants Trust Agreement shall be executed establishing the Medical Malpractice Claimants Trust, which shall be funded by (i) the payment by the

Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Michael Reese; (ii) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Greater Southeast, Hadley, Pacifica and DCHC. All holders of Medical Malpractice Claims shall have recourse against the Medical Malpractice Claimants' Trust on account of their Medical Malpractice Claims but shall not have any recourse against the Debtors, the Reorganized Debtors, the Distribution LLC or the Insurer(s) with respect to their Medical Malpractice Claims. Each holder of a Medical Malpractice Claim must participate in the Claims Resolution Process in order to establish the Allowed amount, if any, of such Medical Malpractice Claim.

H. Summary of Other Provisions of the Plan

The following subsections summarize certain other significant provisions of the Plan. The Plan should be referred to for the complete text of these and other provisions of the Plan.

1. *Releases and Exculpations*

Except as otherwise expressly provided in the Plan, the Debtors shall release their officers, directors, employees and shareholders (the "Released Parties") from any and all Claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the Effective Date or thereafter arising, in law, at equity, or otherwise, that any of the Debtors would have been legally entitled to assert in its own right (whether individually or collectively) or that any holder of a claim or equity interest or other person or entity would have been legally entitled to assert on behalf of any of the Debtors or any of their estates, based in whole or in part upon any act or omission, transaction, agreement, event, or other occurrence taking place before or on the Effective Date, and, without limiting the generality of the foregoing, to the extent permitted by law, waive all rights under any statutory provision purporting to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise, including, but not limited to, any rights under section 1542 of the California Civil Code. The Released Parties include, without limitation, Paul R. Tuft, Erich Mounce, Steven Dietlin, Donna Talbot, Susan Engelhard, David Denslaw, Alan Tuft, Casey Fatch, Enrique Beckmann, Ermanno Mariani, Cindy Sehr, Karen Dale and Janine Finck-Boyle. This release shall include a release of any and all Claims for loans made to the Released Parties, provided that this release shall not include a release of Claims against Mel Redman or other individuals who were officers or directors of the Debtors prior to, but at no point after, the commencement of the Debtors' chapter 11 cases. Further, holders of Claims who vote in favor of the Plan and accept distributions under the Plan shall be deemed to have released any direct Claims related to the Debtors that they might have against the Released Parties (the "Releasing Creditors"). The release by the Debtors and the Releasing Creditors of the Released Parties shall also effectuate a release by the Debtors and Releasing Creditors of Claims against third parties but only to the extent that any such third party has a Claim for indemnification against the Released Parties for contribution and/or indemnification. Thus, by way of example only, if the Debtors have a Claim against a third party for $100, but that third party has an indemnification or contribution claim against any or all of the Released Parties for $50, the Debtors' claims against the third party shall be deemed released to the extent of $50.

Notwithstanding anything to the contrary provided in the Plan, the release by the Debtors and Releasing Creditors of the Released Parties shall not release any third party, including, but not limited to, any insurance provider, from liability respecting any released Claim. In the event the continued liability of such a third-party is dependent upon the continued existence of a Claim to be released, then there shall be no release of such Claim; but, rather, the Debtor(s) or the Releasing Creditor, as the case may be, shall be deemed to have covenanted (i) not to sue a Released Party or to collect on such Claim from the Released Party, (ii) to collect only from the third party on account of such Claim, and (iii) to reduce the amount to be collected from such third party to the extent such third party has a right of contribution and/or indemnification against the Released Party.

The Debtors' officers and directors who were officers and directors both prior to and after the Commencement Date, shall be deemed to waive and release any and all prepetition Claims against the Debtors, other than indemnity Claims for Claims asserted against them as officers and directors of the Debtors, including the benefits of insurance. Further, the Debtors' officers, directors, employees, advisors, professionals, lawyers, bankers, financial advisors, representatives, agents, shareholders and professionals for the Recapitalization Proposal proponents shall have no liability for any act or omission in connection with the Chapter 11 Cases, the commencement of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

2. *Modification of the Plan*

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

3. *Withdrawal or Revocation of the Plan*

The Debtors may withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, or if the Confirmation Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any other person in any further proceedings involving the Debtors.

4. *Effectuating Documents and Further Transactions*

Upon entry of the Confirmation Order, each of the Debtors shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

5. *Corporate Action*

On the Effective Date, all matters provided for under or contemplated by the Plan that would otherwise require approval of the directors or shareholders of the Debtors shall be deemed to have occurred (without having to have obtained such approval) and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of the states in which the Debtors are incorporated, without any requirement of action by the stockholders or by the directors of the Debtors.

6. *Post-Confirmation Date Fees and Expense*

From and after the Confirmation Date, the LLC Agent shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter employed in connection with the implementation and consummation of the Plan, the reconciliation of Claims, the prosecution of avoidance actions, or any other matters as to which such professionals are employed.

7. *Severability*

In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtors and the Committee, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms. Notwithstanding the foregoing, the provisions in the Plan relating to releases and exculpations are not severable from the remainder of the Plan.

8. *Governing Law*

Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the federal laws of the United States and, to the extent there is no applicable federal law, the domestic laws of the District of Columbia, without giving effect to the principles of conflicts of law thereof.

9. *Binding Effect*

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against or Equity Interest in the Debtors and their respective successors and assigns, whether or not the Claim of such holder is impaired under the Plan and whether or not such holder has accepted the Plan. The rights, benefits and obligations of any entity named or referred to in the Plan, whose actions may be required to effectuate the term of the Plan shall be binding on, and

shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity (including, but not limited to, any trustee appointed for the Debtors under chapters 7 or 11 of the Bankruptcy Code).

10. *Payment of Statutory Fees*

All fees payable pursuant to chapter 123 of title 28, United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date by the LLC Agent. Any statutory fees accruing after the Confirmation Date shall be paid by the LLC Agent.

11. *Discharge*

The rights afforded in the Plan and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued thereon from and after the Commencement Date, against any of the Debtors or their estates, assets, properties or interests in property. Any Reorganized Debtor shall not be responsible for any obligations of the Debtors or their estates except those expressly assumed by such Reorganized Debtor in accordance with the terms of the Plan and/or a Winning Bid.

VI. CONFIRMATION AND CONSUMMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in Classes [3, 4, 5, 6, 7, 8, 9, 10 and 10(a)][14] are impaired and will receive distributions under the Plan. The holders of Allowed Claims in these Classes and the holders of Claims that have been temporarily allowed for voting purposes only under Bankruptcy Rule 3018(a) are entitled to vote to accept or reject the Plan. Claims in Classes [1 and 2] are unimpaired. The holders of Allowed Claims in each of such Classes are conclusively presumed to have accepted the Plan, and the solicitation of acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code. Claims and/or Equity Interests in Classes [11] are not expected to receive a distribution under the Plan, are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

As to the classes of claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of one such class that have timely voted to accept or reject a plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

---

[14] See footnote 1.

Any creditor in an impaired Class (i) whose Claim has been listed by the Debtors in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated) or (ii) who filed a proof of claim on or before the Bar Date (May 30, 2003 for all non-governmental entities and July 9, 2003 for governmental entities) or any proof of claim properly filed within any other applicable period of limitations or with leave of the Bankruptcy Court, which Claim is not the subject of an objection or request for estimation, is entitled to vote on the Plan.

B. The Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for [December 10, 2003], commencing at [____] _.m., Prevailing Eastern Time, before the Honorable S. Martin Teel, Jr., United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Columbia, Room 34, 333 Constitution Avenue, Washington, D.C. 20001. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [December 3, 2003] at [4:00] p.m., Prevailing Eastern Time. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or number of shares of common stock of the Debtors held by the objector. Objections must be timely served upon the following parties:

Weil, Gotshal & Manges LLP
Attorneys for the Debtors and
Debtors–in–Possession
767 Fifth Avenue
New York, New York 10153
Attn: Deryck A. Palmer, Esq.

Weil, Gotshal & Manges LLP
Attorneys for the Debtors and
Debtors–in–Possession
100 Federal Street
Boston, Massachusetts 02110
Attn: Andrew M. Troop, Esq.

Office of the United States Trustee
115 South Union Street
Plaza Level, Suite 210
Alexandria, VA 22314
Attn: B. Amon James, Esq.

Akin Gump Strauss Hauer & Feld LLP
Attorney for the Committee
Robert S. Strauss Building
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attn: Sam J. Alberts, Esq.

Jones Day
77 West Wacker
Chicago, Illinois 60601
Attn: Paul E. Harner, Esq.

Jones Day
51 Louisiana Avenue, N.W.
Washington, D.C. 20001-2113
Attorneys for NCFE
Attn: Kevyn D. Orr, Esq.

Arnold & Porter
Thurman Arnold Building
555 Twelfth Street, NW
Washington, D.C. 20004-1206
Attn: Michael L. Bernstein, Esq.

Sidley Austin Brown & Wood LLP
1501 K Street, N.W., Suite 600
Washington, D.C. 20005
Attn: Guy S. Neal, Esq.

Farrell Fritz, P.C.
EAB Plaza
Uniondale, New York 11556-0120
Attn: Ted A. Berkowitz, Esq.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible and (iii) in the "best interests" of creditors and stockholders that are impaired under the plan.

1. *Acceptance*

Classes [3, 4, 5, 6, 7, 8, 9, 10 and 10(a)][15] of the Plan are impaired under the Plan and are entitled to vote to accept or reject the Plan. Classes [1 and 2] of the Plan are unimpaired and, therefore, are conclusively presumed to have voted to accept the Plan. Class [11] is deemed to have rejected the Plan.

2. *Unfair Discrimination and Fair and Equitable Tests*

The Debtors will seek to confirm the Plan notwithstanding the deemed rejection of the Plan by Class [11] or the actual rejection by any of Classes [3, 4, 5, 6, 7, 8, 9, 10, or 10(a)]. To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes "cram down" tests for secured creditors, unsecured creditors and equity holders, as follows:

- Secured Creditors. Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the "indubitable equivalent" of its allowed secured claim or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds to be as provided in clause (i) or (ii) above.

- Unsecured Creditors. Either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

- Equity Interests. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the interest or (ii) the holder of an interest that is junior to the nonaccepting class will not receive or retain any property under the plan.

A plan does not "discriminate unfairly" with respect to a nonaccepting class if the value of the cash and/or securities to be distributed to the nonaccepting class is equal to, or otherwise fair when compared to, the value of the distributions to other classes whose legal rights are the same as those of the nonaccepting class.

The Debtors believe that these requirements are met and that the Plan may be confirmed on a nonconsensual basis (provided that at least one impaired class of claims votes to accept the Plan). Accordingly, the Debtors will demonstrate at the Confirmation Hearing that the

[15] See footnote 1.

Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code as to any non-accepting Class.

3. *Feasibility*

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one that will not lead to a need for further reorganization or liquidation of the debtor, unless such reorganization or liquidation is proposed in the plan. Since the Plan provides for the liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Chapter 11 Cases. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

4. *Best Interests Test*

With respect to each impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each holder of a Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The starting point in determining whether the Plan meets the "best interests" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors' remaining assets in the context of a chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 Cases and allowed under chapter 7 of the Bankruptcy Code (such as professionals' fees and expenses), a trustee's fees, and the fees and expenses of professionals retained by a trustee. The potential chapter 7 liquidation distribution in respect of each Class must be further reduced by costs imposed by the delay caused by conversion to chapter 7. In addition, inefficiencies in the claims resolution process in a chapter 7 would negatively impact the recoveries of creditors. The net present value of a hypothetical chapter 7 liquidation distribution in respect of an impaired Class is then compared to the recovery in respect of such Class provided for in the Plan. [A liquidation analysis is annexed hereto as Exhibit 6.]

For the reasons set forth above, the Debtors submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such Class would receive pursuant to a liquidation of each Debtor under chapter 7 of the Bankruptcy Code.

D. Consummation

The Plan will be consummated on the Effective Date.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discusses certain U.S. federal income tax considerations in connection with the implementation of the Plan relating to the Debtors and to holders of General

Unsecured Claims. The following does not address the federal income tax considerations particular to (i) holders whose Claims are entitled to satisfaction in full (e.g., holders of Allowed Administrative Expense Claims and Allowed Other Priority Claims), (ii) holders of Other Secured Claims, or (iii) holders of Equity Interests. Additionally, the following does not address the federal income tax considerations particular to holders of the DIP Claim, the HCRI Senior Secured Claim, the Medline Senior Secured Claim, NCFE Secured Claims, NCFE Ownership Claims, Junior Secured Claims or Equity Interests as it is the Debtors' understanding that such holders have retained separate counsel to advise them with respect to such Claims.

The following is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), existing and proposed Treasury regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof. These rules are subject to change, possibly on a retroactive basis, and any such change could significantly affect the federal income tax considerations described below.

The federal income tax considerations in connection with the Plan are complex and are subject to significant uncertainties, as a result of both the uncertainty of the law in certain contexts and the uncertainty regarding the precise manner in which the Plan will be implemented. The Debtors have not requested, nor do the Debtors expect to request, a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this description addresses neither state, local, or foreign income or other tax considerations relating to the Plan, nor the federal income tax considerations relating to the Plan particular to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, persons holding a General Unsecured Claim as part of a hedging, integrated constructive sale or straddle, and investors in pass-through entities).

Accordingly, the following summary of certain material U.S. federal income tax considerations is for informational purposes only and is not a substitute for careful tax planning and advice based upon the particular circumstances pertaining to a holder of a Claim. Each holder of a Claim is urged to consult its own tax advisors for the federal, state, local and foreign income and other tax consequences applicable under the Plan.

A. Consequences to the Debtors

The Debtors are members of an affiliated group of corporations for federal income tax purposes of which the DCHC is the common parent and which join in the filing of a consolidated federal income tax return. The Debtors reported consolidated net operating loss ("NOL") carryforwards for federal income tax purposes of approximately $[300] million as of the taxable year that ended on December 31, 2002 and expect to report additional losses for the taxable year ended December 31, 2003. The amount of such NOL carryforwards remains subject to audit and adjustment by the IRS.

The Debtors are pursuing a dual-track liquidation/reorganization process, which requires the Debtors to evaluate the relative merits of proposals to reorganize their businesses (or segments thereof) and to liquidate their assets (or portions thereof). The tax consequences to the Debtors (including the effect of any cancellation of debt, the recognition of any gain or loss on

the disposition of assets, and any applicable limitations on the Debtors' ability to utilize any NOL carryforwards) will depend on the particular liquidation or reorganization structure actually effectuated pursuant to the Plan. It is quite probable, indeed likely, that effectuation of the Plan will result in the elimination of all or most of the Debtor's NOL carryforwards.

B. Consequences to Holders of Allowed General Unsecured Claims

Pursuant to the Plan, the holders of Allowed General Unsecured Claims will receive, in satisfaction and discharge of such Claims, membership interests in the Distribution LLC[16] and possibly Cash.

1. *Gain or Loss*

In general, each holder of an Allowed General Unsecured Claim will recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by such holder in satisfaction of its Claim (other than any Claim representing accrued but unpaid interest) and (ii) such holder's adjusted tax basis in such Claim (other than any Claim representing accrued but unpaid interest). See "Distributions in Discharge of Accrued But Unpaid Interest," below. The "amount realized" by a holder of a Claim will equal the sum of the cash and the aggregate fair market value of the property treated as received by such holder with respect to its Claim, excluding any portion required to be treated as imputed interest, as discussed below.

For federal income tax purposes, the IRS has held that a transfer of beneficial interests in a wholly-owned limited liability company to two or more persons will be treated as a transfer of the underlying assets (subject to applicable liabilities) of such company to such persons followed by a deemed contribution of such assets by such transferees to the limited liability company. Accordingly, the transfer of the LLC Interests to holders of Allowed General Unsecured Claims upon consummation of the Plan will be treated, for federal income tax purposes, as if the Debtors had transferred all the underlying assets directly to such holders in satisfaction of their Claims, with the holders thereafter contributing such assets to the Distribution LLC in exchange for their membership interests.

As and when any Disputed General Unsecured Claims become disallowed, holders of previously Allowed Claims will become entitled to an increase in their LLC Interests. For federal income tax purposes, the "receipt" of such an increase (other than amounts attributable to earnings previously taxed to the GUC Disputed Claims Reserve) may be treated as additional consideration in satisfaction of a holder's Allowed Claim in an amount equal to the fair market value of such increased interest at such time (with the potential for the recognition of gain at such time). Because such amounts may be deemed received for federal income tax purposes after the Effective Date, the imputed interest provisions of the Tax Code may apply to treat a portion of such amounts as imputed interest. In addition, it is also possible that (i) any loss realized by a holder in satisfaction of an Allowed General Unsecured Claim may be deferred until all Disputed Claims are resolved and the holder's beneficial interest in the Distribution LLC can no longer increase, and/or (ii) any gain realized may be recognized under the "installment

[16] As additional information is received, including the results of the Sale, the Debtors may adjust the structure of the Plan, in which case the federal income tax considerations relevant to holders of Allowed General Unsecured Claims may differ from those described below.

method" of reporting. Holders are urged to consult their tax advisors regarding the possible applicability of, and the ability to elect out of, the installment method.

Where gain or loss is recognized by a holder in respect of its Allowed General Unsecured Claim, the character of such gain or loss (as long-term or short-term capital, or ordinary) will be determined by a number of factors, including the tax status of the holder, whether the Claim in respect of which any property was received constituted a capital asset in the hands of the holder and how long it had been held, whether such Claim was originally issued at a discount or acquired at a market discount and whether and to what extent the holder had previously claimed a bad debt deduction in respect of such Claim.

In general, a holder's aggregate tax basis in an LLC Interest it receives will equal the amount realized by the holder, increased by the holder's attributable share of the liabilities of the Distribution LLC as determined under applicable Treasury Regulations (the Distribution LLC generally will have a comparable aggregate tax basis which should equal the gross fair market value of such assets), and the holding period for such LLC Interest will begin the day following the Effective Date.

Following the distribution of membership interests in the Distribution LLC to the holders of Allowed General Unsecured Claims, the Distribution LLC will be treated as a partnership for federal income tax purposes. Accordingly, any subsequent transfer of any LLC Interest will be treated as a transfer of a partnership interest (rather than a transfer of the underlying assets). Also, any amount a holder receives as a distribution in respect of its LLC Interest following the Effective Date should not be included for federal income tax purposes in the holder's "amount realized" in respect of its Allowed Claim but should be separately treated as a distribution received in respect of such holder's LLC Interest. See "Tax Treatment of the Distribution LLC and Members of the Distribution LLC," below.

2. *Distributions in Discharge of Accrued But Unpaid Interest*

Pursuant to the Plan, distributions to any holder of an Allowed General Unsecured Claim will be allocated first to the original principal amount of such Claim as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim (including, without limitation, any portion of the Claim representing accrued original issue discount ("OID") or accrued but unpaid interest). However, there is no assurance that the IRS will respect such allocation for federal income tax purposes.

In general, to the extent that an amount received (whether cash or other property) by a holder of debt is received in satisfaction of accrued interest or OID during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest previously included in its gross income is not paid in full.

3. *Tax Treatment of the Distribution LLC and Members of the Distribution LLC*

Pursuant to the Plan, the Distribution LLC is intended to be treated as a partnership for U.S. federal income tax purposes and, to the extent allowed under applicable law, for state and local tax purposes, rather than an association taxable as a corporation. As discussed

above, the Distribution LLC generally should have an aggregate tax basis in its assets equal to the gross fair market value of such assets as of the Effective Date.

An entity classified as a partnership for federal income tax purposes generally is not a taxable entity and incurs no federal income tax liability. Pursuant to the Plan, and consistent with applicable Treasury Regulations, taxable income or loss of the Distribution LLC generally will be allocated among the holders of membership interests in the Distribution LLC in accordance with their relative economic interests in the Distribution LLC. Each holder of a membership interest in the Distribution LLC will be required to take into account its allocable share of income, loss, deduction or credit of the Distribution LLC in determining its taxable income for federal income tax purposes. The LLC Agent will be responsible for filing informational returns on behalf of the Distribution LLC and distributing information statements to the holders of membership interests in the Distribution LLC setting forth each holder's allocable share of the income, loss, deduction or credit of the Distribution LLC. Each holder will be taxed on its allocable share of the income of the Distribution LLC for the taxable year regardless of the amount, if any, distributed by the Distribution LLC to such holder in such taxable year. Distributions of money by the Distribution LLC to a holder are generally not taxable to the holder unless the amount of such distributions exceeds the holder's adjusted tax basis in its interest in the Distribution LLC.

The LLC Agent will be authorized to collect such tax and fiscal information from holders of LLC Interests (including, without limitation, social security numbers and/or other tax identification numbers) as it in its sole discretion deems necessary to effectuate the Plan, and the Confirmation Order will expressly provide this authority. The failure of a holder of an LLC Interest to furnish this information in a timely fashion may result in the suspension or waiver of any distributions on account of such holder's LLC Interest.

4. *Tax Reporting for the GUC Disputed Claims Reserve*

Pursuant to the Plan, the portion of the available Cash (and net earnings on such Cash) and the LLC Interests allocable as of the Effective Date to holders of Disputed General Unsecured Claims will be held in escrow in the GUC Disputed Claims Reserve until such Disputed Claims are determined to be either Allowed or disallowed.

Under section 468B(g) of the Tax Code, amounts earned by an escrow account, settlement fund or similar fund must be subject to current tax. Although certain Treasury Regulations have been issued under this section, no Treasury Regulations have as yet been promulgated to address the tax treatment of such accounts in a bankruptcy setting. Thus, depending on the facts of a particular situation, such an account could be treated as a separately taxable trust, as a grantor trust treated as owned by the holders of disputed claims or by the debtors (or, if applicable, any of its successors), or otherwise. On February 1, 1999, the IRS issued proposed Treasury Regulations that, if finalized in their current form, would specify the tax treatment of escrows of the type involved here that are established after the date the Treasury Regulations become final. In general, such Treasury Regulations would tax such an escrow in a manner similar to a corporation. As to previously established escrows, such Treasury Regulations would provide that the IRS would not challenge any reasonably, consistently applied method of taxation for income earned by the escrow or account, and any reasonably, consistently applied method for reporting such income.

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the LLC Agent of a private letter ruling if the LLC Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the LLC Agent), the LLC Agent shall (i) treat the GUC Disputed Claims Reserve as a discrete trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the IRC (sections 641 et seq.), and (ii) to the extent permitted by applicable law, report consistently for state and local income tax purposes. In addition, pursuant to the Plan, all parties (including holders of Disputed Claims) shall report consistently with such treatment.

Accordingly, subject to issuance of definitive guidance, the LLC Agent will report as subject to a separate entity level tax any amounts earned by the GUC Disputed Claims Reserve and any taxable income of the Distribution LLC allocable to the GUC Disputed Claims Reserve, except to the extent such earnings or income are distributed by the LLC Agent during the same taxable year. In such event, any amount earned by the GUC Disputed Claims Reserve, and any taxable income of the Distribution LLC allocated to the GUC Disputed Claims Reserve, that is distributed to a holder during the same taxable year will be includible in such holder's gross income.

Distributions from the GUC Disputed Claims Reserve will be made to holders of Disputed Claims when such Claims are subsequently Allowed and to holders of previously Allowed Claims (whether such Claims were Allowed on or after the Effective Date) when any Disputed Claims are subsequently disallowed. Such distributions (other than amounts attributable to earnings) should be taxable to the recipient. Accordingly, each holder of a General Unsecured Claim is urged to consult its tax advisor regarding the potential tax treatment of the GUC Disputed Claim Reserve and distributions therefrom, and any tax consequences to such holder relating thereto.

5. *Information Reporting and Withholding*

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable rate (currently 28%). Backup withholding generally applies if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to backup withholding. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS.

Recently effective Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated after January 1, 2003, including, among other types of transactions, the following:

(1) certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds; and (2) certain transactions in which the taxpayer's book-tax differences exceed a specified threshold in any tax year. These categories are very broad; however, there are numerous exceptions. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

VIII. RISK FACTORS

HOLDERS OF CLAIMS AGAINST THE DEBTORS AND PARTIES INTERESTED IN PURCHASING ASSETS AND/OR NEW STOCK OF THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION OR INVESTING IN NEW STOCK AND/OR ASSETS OF THE DEBTORS.

A. Certain Bankruptcy Considerations

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate a resolicitation of votes.

Among other things, the Plan provides for the estates of Debtors to be deemed consolidated for purposes of voting on and making distributions under the Plan. Should the Bankruptcy Court fail to allow such deemed consolidation, the administration of the Plan, if still possible, could be substantially more burdensome, time consuming and costly and may result in a different distribution scheme than that originally contemplated by the Plan.

B. Risk that Distributions Will be Less than Estimated

The projected distributions and recoveries set forth in the Disclosure Statement and the [Liquidation Analysis] are based on the Debtors' initial estimate of Allowed Claims, without having undertaken a substantive review of all filed Claims. The Debtors project that the Claims asserted against them will be resolved in and reduced to an amount that approximates their estimates. However, there can be no assurance that the Debtors' estimates will prove accurate. Further, the projected distributions and recoveries assume the Debtors will be able to obtain at least the lowest value offered by the Recapitalization Proposal for the For-Sale Property. Should this not occur, the estimated distributions and recoveries may be substantially less than estimated.

C. Litigation Risks

The Plan provides, among other things, for the Litigation Claims to be conveyed into the Distribution LLC, with $3 million segregated to facilitate the prosecution of the Litigation Claims and Disputed Claims. Although the Debtors anticipate that the Distribution

LLC, in time, will resolve the Litigation Claims and Disputed Claims on a basis providing a substantial net benefit to the Debtors' estates, there can be no guarantee that the result will be favorable. There also can be no assurance that $3 million will be sufficient to fund completely the prosecution of the Litigation Claims and the Disputed Claims.

D. Liquidity and Financing Risks

Although the Debtors project that they will have sufficient liquidity to operate their businesses until consummation of the Plan, there is no assurance that the revenues generated in the next several months will be adequate to cover all expenditures incurred prior to consummation. Moreover, the Debtors estimate that the current availability under the DIP Agreement is only at approximately $6.8 million and that this may be insufficient to cover the Debtors' cash requirements over the next several months.

Furthermore, implementation of the Recapitalization Proposal requires financing and capital infusion from third parties. These financing or funding transactions include, among others, the Merrill Lynch Exit Financing Facility, the Sun Exit Financing Facility, the Medline Funding Transaction, the HCRI New Mortgage Loan, the Hadley Hospital Investors Group Equity Transaction, the Pacifica Investment Company – I Equity Transaction, the Pacifica Investment Company – II Transaction, the Durairaj Capital Investment Transaction, and the Curtis Capital Investment Transaction (all such capitalized terms are as defined in the Recapitalization Proposal). While the proponents of the Recapitalization Proposal have advised the Debtors that they will consummate the required financing and funding transactions if their proposal is approved by the Court as the Winning Bid, there is no absolute assurance that all of the transactions will in fact be consummated. If this occurs, the proponents believe they may be able to procure alternative sources of financing and funding, but the certainty of such funding and the timing of any such funding is speculative.

E. Regulatory and Other Governmental Considerations

1. *Local Licenses*

Each of the operating Debtors is subject to numerous regulatory restrictions in the jurisdictions in which it operates. Each generally requires either a local or state license (or a different instrument of similar import) to operate; in addition, in some jurisdictions, additional licenses are required for particular services. Licenses generally are subject to periodic renewal, and are renewed only upon the successful completion by the Debtor of a survey of its operations by the appropriate regulatory authority. Regulatory authorities, however, also monitor the Debtors on an on-going basis to ensure compliance with regulatory requirements and maintenance of licenses are dependent upon generally favorable results during these periodic inspections or reviews. Currently, each of the Debtors is operating under a license or document of similar import issued by its respective local or state regulatory agency.

In the case of Greater Southeast, however, and as discussed in section [II.B.6] above, Greater Southeast currently is operating under a License Agreement (as defined above) with the DOH (as defined above). During the week of October 20, 2003, DOH surveyed Greater Southeast to determine, among other things, whether Greater Southeast is in substantial compliance with the terms of the License Agreement. Pursuant to the terms of the License Agreement, if Greater Southeast is determined to be in substantial compliance with the License

Agreement, it is to receive a license for its operations. Greater Southeast anticipates receiving the DOH's decision about compliance with the License Agreement in early November 2003.

Even if Greater Southeast receives a license from DOH, there is no assurance that it or the other operating Debtors will continue to maintain their licenses, either until the conclusion of these cases or after confirmation of the Plan. A loss of a Debtor's license likely would lead to the closing of the Debtor's operations, subject in each case, to the availability of appellate review, if any.

2. *JCAHO*

Third-party payors, and in many markets, federal and state payors, rely on the accreditation of a hospital by JCAHO (as defined above) as a condition to their continued relationship with a particular hospital. JCAHO, like state licensing authorities, periodically surveys health care organizations to determine whether they are compliant with the standards of practices and procedures enunciated by JCAHO with respect to the operation of healthcare organizations. As noted in section [II.B.6] above, Greater Southeast lost its JCAHO accreditation in August 2003, and as a result, many third-party payors have terminated their relationships with Greater Southeast, although Greater Southeast continues its relationship with Medicare and Medicaid. Greater Southeast is scheduled to be surveyed by JCAHO beginning December 15, 2003, to determine whether it should be re-accredited by JCAHO. Each of the other operating Debtors currently enjoys JCAHO accreditation.

A substantial portion of each Debtor's revenues reflects payments by third-party payors, particularly federal and state payors, like Medicare and Medicaid. Accordingly, maintaining, or in the case of Greater Southeast, obtaining again, JCAHO accreditation is important to the continued operation of these Debtors through the conclusion of this case and for their post-petition operations. There is no assurance, however, that these hospitals will continue (or in the case of Greater Southeast re-obtain) their accreditation by JCAHO.

3. *The D.C. Healthcare Alliance*

As noted in section [II.B.5] above, the District of Columbia has created a program pursuant to which its uninsured residents are entitled to health care from participating providers and those providers are entitled to payment from that program in accordance with its terms. Greater Southeast [and Hadley each] currently participate(s) in that program. In fact, a substantial portion of Greater Southeast's revenues is generated from providing healthcare services to uninsured residents of the District of Columbia who are eligible for this program.

There are currently a number of unresolved disputes between Greater Southeast and the District of Columbia with respect to amounts due to, or due from, Greater Southeast. These disputes may also impact other participants in the program and give rise to claims against them. There can be no assurance that these disputes will be resolved timely or in Greater Southeast's favor. An unfavorable resolution could negatively impact future payments to Greater Southeast in connection with the program. In addition, there is a concern that, for the upcoming operational year under the program, the District of Columbia has not appropriated sufficient funds to cover the expense of the program. If this concern proves to be true, Greater

Southeast may find itself having provided services to uninsured residents of the District without an ability to be compensated for those services.

F. Risks to Prospective Purchasers of New Stock

1. *Variance from Projections*

The Projections set forth in Exhibit 8 are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Factors that could cause actual results to differ materially include, but are not limited to, the ability to operate the hospitals consistent with the Projections, comply with the financing covenants, attract and retain new executives and respond to adverse regulatory actions and accreditation determinations.

2. *Restrictions on Transfer*

There is not now, nor is there contemplated to be in the foreseeable future, a public market for the New Stock that may be issued pursuant to the terms of the Plan. The New Stock may be resold only if registered under the Securities Act of 1933 or pursuant to some exemption from registration thereunder. Accordingly, no assurance can be given that a holder of New Stock will be able to sell such securities in the future.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the Debtors' alternatives include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative plan or plans of liquidation.

A. Liquidation Under Chapter 7

If the Plan or any other chapter 11 plan for the Debtors cannot be confirmed under section 1129(a) and (b) of the Bankruptcy Code, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, in which case a trustee(s) would be elected or appointed to liquidate any remaining assets of the Debtors for distribution to creditors pursuant to chapter 7 of the Bankruptcy Code. If a trustee(s) is appointed and the remaining assets of the Debtors are liquidated under chapter 7 of the Bankruptcy Code, all creditors holding Allowed General Unsecured Claims may receive distributions of a lesser value on account of their Allowed Claims and would have to wait a longer period of time to receive such distributions than they would under the Plan.

Further, if the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code, the Debtors will experience excessive operating losses due to the costs of shutdown. The Worker Adjustment and Retraining Notification Act (the "WARN Act") requires the Debtors, if planning a plant closing or a mass layoff, to give affected employees at least 60 days notice of this employment action. If at least 60 days notice is not given, the Debtors are required under the WARN Act to make severance payments to those affected employees. In addition to the costs associated with compliance with the WARN Act, a liquidation plan would require the Debtors to incur costs in evaluating and securing key resources, establishing access to alternate care providers, and preparing to support employees, medical staff, and house staff. The

Debtors would incur costs in their management of the winding down process, which would entail communicating proactively with all constituencies, establishing a transition management team, ensuring ongoing access to critical patient care resources, managing public relations, terminating employees and contracted services, and transferring remaining patients on the day of closure at each respective hospital. In order to support post-closure activities, the Debtors would incur costs in disposing of equipment and supplies, maintaining access to medical records and other key records, processing remaining financials, maintaining security and necessary utilities, and disposing of hazardous materials and normal wastes.

Total operating losses in the event of a liquidation of the Debtors are expected to be approximately $32.7 million to $38.7 million required to close Greater Southeast, approximately $5.5 million to $7.0 million required to close Hadley, approximately $34.7 million to $41.7 million required to close Michael Reese, and approximately $14.5 million to $16.9 million required to close Pacifica. The amount of time necessary for closure of each hospital is dependant upon the nature of the patient base of each facility. Closure of Hadley would occur over a 120-day period due to the difficulty in transferring acute care patients, and closure of Pacifica would occur over a 90-day period due to the difficulty in transferring sub-acute care patients, while the closures of Greater Southeast and Michael Reese would occur over a 60-day period.

Attached as Exhibit 7 is a preliminary liquidation analysis of the Debtors on a consolidated and individual facility basis. This analysis contains detail, for each operating Debtor, of the costs that would be incurred in its shut down. From this analysis, it appears that, on liquidation, creditors, particularly unsecured creditors, will not receive any distribution from these estates.

B. Alternative Chapter 11 Plan

If the Plan is not confirmed, the Debtors, or any other party in interest, may attempt to formulate an alternative chapter 11 plan, which might provide for the liquidation of the Debtors' remaining assets other than as provided by the Plan. Any attempt to formulate an alternative chapter 11 plan would unnecessarily delay creditors' receipt of distributions yet to be made and, due to the incurrence of additional administrative expenses during such period of delay, may provide for smaller distributions to holders of Allowed General Unsecured Claims than are currently provided for in the Plan. Accordingly, the Debtors believe that the Plan will enable all creditors to realize the greatest possible recovery on their respective Claims with the least delay.

X. CONCLUSION AND RECOMMENDATION

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. The Debtors urge holders of impaired Claims entitled to vote on the Plan to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received no later than [5:00] p.m., [Prevailing Pacific Time], on [December 3, 2003].

Dated: Washington, D.C.
October 24, 2003

EXHIBIT 1

[The Plan]

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re	:	
	:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I., et al.,	:	**Case No. 02-2250 (SMT)**
	:	**Chapter 11**
	:	
Debtors.	:	**(Jointly Administered)**

DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

WEIL, GOTSHAL & MANGES LLP
Attorneys for Debtors
and Debtors in Possession
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

100 Federal Street
Boston, Massachusetts 02110
(617) 772-8300

1501 K Street, N.W., Suite 100
Washington, D.C. 20005
(202) 682-7000

Dated: Washington, D.C.
October 24, 2003

EXHIBIT 1

TABLE OF CONTENTS

Page

Article I. DEFINITIONS 1

1.1 Administrative Expense Claim 1

1.2 Allowed 2

1.3 Assumed Liabilities 2

1.4 Bankruptcy Code 2

1.5 Bankruptcy Court 2

1.6 Bankruptcy Rules 2

1.7 Bid 3

1.8 Bidding Procedures 3

1.9 Business Day 3

1.10 Cash 3

1.11 Cash Collateral 3

1.12 Chapter 11 Cases 3

1.13 Claim 3

1.14 Class 3

1.15 Closing Date 3

1.16 Collateral 3

1.17 Committee 3

1.18 Commencement Date 3

1.19 Confirmation Date 4

1.20 Confirmation Hearing 4

1.21 Confirmation Order 4

1.22 Continuing Lien 4

1.23 Critical Physicians 4

1.24 DCHC 4

1.25 Debtors 4

1.26 Debtors-in-Possession 4

1.27 DIP Agreement 4

1.28 DIP Lender 4

1.29 DIP Claims 4

1.30 Disclosure Statement 5

1.31 Disputed 5

TABLE OF CONTENTS

Page

1.32 Distribution LLC 5
1.33 Distribution LLC Agreement 5
1.34 Distribution LLC Assets 5
1.35 Effective Date 5
1.36 Equity Interest 5
1.37 Final Order 5
1.38 For-Sale Property 6
1.39 General Unsecured Claim 6
1.40 Greater Southeast 6
1.42 Hadley 6
1.43 HCRI 6
1.44 HCRI Pacifica Collateral 6
1.45 HCRI Senior Secured Claim 6
1.46 Independent Director 6
1.47 Investors 6
1.48 Junior Secured Claim 6
1.49 Litigation Claims 6
1.50 Litigation Proceeds 7
1.51 LLC Agent 7
1.52 LLC Interest 7
1.53 Malpractice Claims Resolution Process 7
1.54 Medical Malpractice Claimants Trust 7
1.55 Medical Malpractice Claimants Trust Agreement 7
1.56 Medical Malpractice Claim 7
1.57 Medline 7
1.58 Medline Michael Reese Collateral 7
1.59 Medline Senior Secured Claim 8
1.60 Michael Reese 8
1.61 NCFE 8
1.62 NCFE-Owned Property 8
1.63 NCFE Ownership Claim 8
1.64 NCFE Secured Claim 8

TABLE OF CONTENTS

Page

1.65 New Stock 8
1.66 Non-auctioned Property 8
1.67 Notice of Effectiveness 8
1.68 Other Priority Claim 8
1.69 Other Secured Claim 8
1.70 Pacifica 8
1.71 Person 8
1.72 Pine Grove 8
1.73 Pine Grove Remaining Assets 9
1.74 Pine Grove Sale Proceeds 9
1.75 Plan 9
1.76 Plan Supplement 9
1.77 Priority Tax Claim 9
1.78 Professional Liability Insurer 9
1.79 Professional Liability Insurer Claims 9
1.80 Pro Rata 9
1.81 Recapitalization Proposal 9
1.82 Record Date 9
1.83 Released Parties 9
1.84 Releasing Creditors 9
1.85 Remaining For-Sale Property 9
1.86 Reorganized By-laws 10
1.87 Reorganized DCHC 10
1.88 Reorganized Articles of Incorporation 10
1.89 Reorganized Debtor 10
1.90 Reorganized Greater Southeast 10
1.91 Reorganized Hadley 10
1.92 Reorganized Michael Reese 10
1.93 Reorganized Pacifica 10
1.94 Sale 10
1.95 Sale Proceeds 10
1.96 Schedules 10

TABLE OF CONTENTS

Page

1.97 Secured Claim 11
1.98 Senior Claim 11
1.99 Tort Claim 11
1.100 Unsold Facility 11
1.101 Wind-Down Costs 11
1.102 Winning Bid(s) 11
1.103 Winning Bidder(s) 11
Article II. TREATMENT AND PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS 12
2.1 Administrative Expense Claims 12
2.2 Professional Compensation and Reimbursement Claims 12
2.3 Priority Tax Claims 12
Article III. Classification of Claims and Equity Interests 13
3.1 Classes 13
3.2 Subclasses. 14
Article IV. treatment of claims and equity interests 14
4.1 Class 1 - DIP Claim. 14
4.2 Class 2 - Other Priority Claims. 14
4.3 Class 3 - HCRI Senior Secured Claim. 15
4.4 Class 4 – Medline Senior Secured Claim. 15
4.5 Class 5 – Other Secured Claims 16
4.6 Class 6 – Medical Malpractice Claims. 17
4.7 Class 7 – NCFE Secured Claims 18
4.8 Class 8 – NCFE Ownership Claims 19
4.9 Class 9 – Junior Secured Claims 20
4.10 Class 10 - General Unsecured Claims 20
4.11 Class 11 - Equity Interests. 21
Article V. PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN 22
5.1 Voting of Claims 22
5.2 Presumed Rejections of the Plan and Cramdown 22
5.3 Method of Distributions Under the Plan 22

TABLE OF CONTENTS

Page

Article VI.	Means for Implementation and Execution of the Plan	24
6.1	Deemed Consolidation of Debtors for Plan Purposes Only	24
6.2	Sale	24
6.3	Reorganized Debtors	25
6.4	Cancellation of Equity Interests	26
6.5	The Distribution LLC.	26
6.6	Medical Malpractice Claimants Trust	30
6.7	Closing of the Chapter 11 Cases.	30
Article VII.	Procedures for Resolving and Treating Disputed Claims	30
7.1	No Distributions Pending Allowance.	30
7.2	Estimation of Claims	32
7.3	Allowance of Disputed Claims	32
7.4	No Distribution in Respect of Disallowed Claims	33
Article VIII.	Treatment of Executory Contracts and Unexpired Leases	33
8.1	Executory Contracts and Unexpired Leases.	33
8.2	Cure of Defaults.	33
8.3	Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan	34
8.4	Compensation and Benefit Programs	34
8.5	Retiree Benefits	34
Article IX.	Effect of Confirmation of Plan	34
9.1	Term of Injunctions or Stays	34
9.2	Injunction	34
Article X.	EFFECTIVENESS OF THE PLAN	35
10.1	Conditions Precedent to the Effective Date	35
10.2	Waiver of Conditions.	36
10.3	Effect of Failure of Conditions	36
Article XI.	Retention of Jurisdiction	36
Article XII.	Miscellaneous Provisions	37
12.1	Releases and Exculpations	37
12.2	Discharge	38
12.3	Effectuating Documents and Further Transactions	39

TABLE OF CONTENTS

Page

12.4 Corporate Action 39
12.5 Exemption from Transfer Taxes 39
12.6 Post-Confirmation Date Fees and Expenses 39
12.7 Payment of Statutory Fees 39
12.8 Modification of Plan 39
12.9 Withdrawal or Revocation 40
12.10 Binding Effect 40
12.11 Notices 40
12.12 Severability 41
12.13 Governing Law 41
12.14 Plan Supplement. 41
12.15 Headings 41
12.16 Exhibits/Schedules 42
12.17 Plan Controls Disclosure Statement; Confirmation Order Controls Plan 42
12.18 Filing of Additional Documents. 42

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re	:	
	:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I., et al.,	:	Case No. 02-2250 (SMT)
	:	Chapter 11
	:	
Debtors.	:	(Jointly Administered)

DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Greater Southeast Community Hospital Corporation I, PACIN Healthcare-Hadley Memorial Hospital Corporation of Washington, D.C., Michael Reese Medical Center Corporation of Chicago, Illinois, Pacifica Hospital of the Valley Corporation of Sun Valley, California, Pine Grove Hospital Corporation of Canoga Park, California and their ultimate corporate parent, Doctors Community Healthcare Corporation, as debtors and debtors-in-possession, propose the following joint chapter 11 plan of reorganization, pursuant to section 1121(a) of the United States Bankruptcy Code. All capitalized terms used in the Plan are either defined in section 101 of the Bankruptcy Code or article I below.

Briefly stated, but subject to more specific details provided herein, the Plan provides for the sale of the Debtors' assets and/or New Stock, free and clear of all Claims, liens, encumbrances or other interests therein, except as specifically provided in the Plan, to the Winning Bidder(s) in the Sale to be conducted in accordance with the Bidding Procedures, with the proceeds of such sale(s) to be distributed as specified in article [IV] of the Plan.

Article I.

DEFINITIONS

Definitions. As used in the Plan, the following terms shall have the respective meanings specified below:

1.1 Administrative Expense Claim means any right to payment constituting a cost or expense of administration of any of the Chapter 11 Cases under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any Wind-Down Costs, any actual and necessary costs and expenses of preserving the estates of the Debtors, any actual and necessary costs and expenses of operating the business of the Debtors, any indebtedness or obligations incurred or assumed by the Debtors-in-

Possession in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, and all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under sections 330 or 503 of the Bankruptcy Code, whether fixed before or after the Effective Date.[1]

1.2 Allowed means, with reference to any Claim, (a) any Claim against the Debtors which has been listed by the Debtors in their Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim has been filed, (b) any Claim allowed pursuant to the Plan, (c) any Claim that is not Disputed, (d) any Claim that is compromised, settled or otherwise resolved pursuant to a Final Order of the Bankruptcy Court or the authority granted to the LLC Agent and/or the Reorganized Debtors under section [7.1(b)] of the Plan or (e) any Claim which, if Disputed, has been allowed by Final Order; provided, however, that Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered "Allowed Claims" hereunder. Unless otherwise specified herein or by order of the Bankruptcy Court, "Allowed Administrative Expense Claim" or "Allowed Claim" shall not, for any purpose under the Plan, include interest on such Claim from and after the Commencement Date.

1.3 Assumed Liabilities means the liabilities of the Debtors, whether pre-petition or post-petition or any other obligations, to be assumed by the Winning Bidder(s), either directly or indirectly through a Reorganized Debtor, in accordance with the terms of their Winning Bid(s).

1.4 Bankruptcy Code means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases, as in effect on the Confirmation Date.

1.5 Bankruptcy Court means the United States District Court for the District of Columbia having jurisdiction over the Chapter 11 Cases and, to the extent of any reference under section 157 of title 28 of the United States Code, the unit of such District Court under section 151 of title 28 of the United States Code.

1.6 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code and any Local Rules of the Bankruptcy Court.

---

[1] Subject to Bankruptcy Court approval, any break-up fees or other expenses to be paid in accordance with the terms of the Bidding Procedures shall be allowed as Administrative Expense Claims.

1.7 Bid means a bid, pursuant to the Bidding Procedures, to make an investment in one or more of the Debtors and/or purchase some or all of the Debtors' assets.

1.8 Bidding Procedures means the procedures approved by order of the Bankruptcy Court dated October [__], 2003 for the sale of substantially all of the assets and/or stock of DCHC, Greater Southeast, Hadley, Pacifica and Michael Reese.

1.9 Business Day means any day other than a Saturday, Sunday or any other day on which commercial banks in Washington, D.C. are required or authorized to close by law or executive order, and the Friday after Thanksgiving Day.

1.10 Cash means legal tender of the United States of America.

1.11 Cash Collateral has the meaning set forth in section 363 of the Bankruptcy Code.

1.12 Chapter 11 Cases means the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors, styled In re Greater Southeast Community Hospital Corporation I, et al., Chapter 11 Case Nos. 02-2248 through 02-2253 (SMT) inclusive, Jointly Administered, currently pending before the Bankruptcy Court.

1.13 Claim has the meaning set forth in section 101(5) of the Bankruptcy Code.

1.14 Class means a category of holders of Claims or Equity Interests as set forth in articles [III] and [IV] of the Plan, classified by the Plan pursuant to section 1123(a)(1) of the Bankruptcy Code.

1.15 Closing Date means (i) with respect to any Winning Bid, the date upon which the sale of certain assets and/or New Stock of the Debtors, as contemplated by the Winning Bid, is to close, and (ii) with respect to any sale of Non-auctioned Property or Pine Grove Remaining Assets arranged by the LLC Agent, the date upon which such sale is to close; provided, however, in no event shall a Closing Date occur prior to the Effective Date.

1.16 Collateral means any property or interest in property of the estate of the Debtors subject to a lien to secure the payment or performance of a Claim, which lien is valid, perfected and enforceable under applicable law, and is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.

1.17 Committee means the statutory committee of unsecured creditors appointed in the Chapter 11 Cases on November 25, 2002 pursuant to section 1102 of the Bankruptcy Code.

1.18 Commencement Date means November 20, 2002, the date on which the Debtors commenced the Chapter 11 Cases.

1.19 Confirmation Date means the date upon which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

1.20 Confirmation Hearing means the hearing held by the Bankruptcy Court to consider confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

1.21 Confirmation Order means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.22 Continuing Lien means, with reference to any item of property, the continuance of whatever interest or rights the holder of a Secured Claim or NCFE Ownership Claim may have therein or thereto, notwithstanding the transfer of such item to the Distribution LLC; provided, however, no holder of a Secured Claim or NCFE Ownership Claim shall have a Continuing Lien on any item of property transferred to a Winning Bidder or retained by a Reorganized Debtor, pursuant to the Sale, on account of a Winning Bid, other than in accordance with the terms of a Winning Bid.

1.23 Critical Physicians shall have the meaning set forth in the motion, dated May 8, 2003, of the Debtors pursuant to section 105(a) of the Bankruptcy Code authorizing Debtors' payment of prepetition amounts owed to critical physicians and certain current employees.

1.24 DCHC means Doctors Community Healthcare Corporation.

1.25 Debtors mean, collectively, Greater Southeast Community Hospital Corporation I, PACIN Healthcare-Hadley Memorial Hospital Corporation, Michael Reese Medical Center Corporation, Pacifica Hospital of the Valley Corporation, Pine Grove Hospital Corporation and their ultimate corporate parent, Doctors Community Healthcare Corporation.

1.26 Debtors-in-Possession mean the Debtors in their capacity as debtors-in-possession in the Chapter 11 Cases pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

1.27 DIP Agreement means that certain Debtor-in-Possession Credit Agreement, dated as of May 9, 2003, among the Debtors and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as agent and lender, and the additional lenders from time to time a party thereto, together with the terms of the order of the Bankruptcy Court, dated May 7, 2003, approving such agreement.

1.28 DIP Lender means Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as agent and lender.

1.29 DIP Claims means all Claims arising under the DIP Agreement of the DIP Lender or any additional lenders under the DIP Agreement.

1.30 Disclosure Statement means the disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

1.31 Disputed means, with reference to any Claim, (i) any Claim proof of which was timely and properly filed, and in such case or in the case of an Administrative Expense Claim, any Administrative Expense Claim or Claim, which is disputed under the Plan, or as to which the Debtors, the Reorganized Debtors, the Committee or the LLC Agent have interposed (or have determined to interpose) a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, and (ii) any Claim proof of which was required to be filed by order of the Bankruptcy Court but as to which a proof of claim was not timely or properly filed. A Claim that is Disputed as to its amount only, shall be deemed Allowed in the amount admitted owing, if any, and Disputed as to the excess.

1.32 Distribution LLC means the limited liability company to be created prior to the Effective Date in accordance with section [6.5] of this Plan and the Distribution LLC Agreement.

1.33 Distribution LLC Agreement means the agreement to be executed prior to the Effective Date establishing and delineating the terms and conditions of the Distribution LLC, substantially in the form to be filed with the Plan Supplement.

1.34 Distribution LLC Assets mean all of the Debtors' rights, title and interest in the Pine Grove Sale Proceeds, the Pine Grove Remaining Assets, the Litigation Claims, the Sale Proceeds, any Unsold Facilities and any Remaining For-Sale Property.

1.35 Effective Date means the first Business Day on which the conditions specified in article [X] of the Plan have been satisfied.

1.36 Equity Interest means any share of common stock or other instrument evidencing an ownership interest in the Debtors, whether or not transferable, and any option warrant or right, contractual or otherwise, to acquire any such interest.

1.37 Final Order means an order of the Bankruptcy Court as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or motion for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, or move to reargue or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been upheld by the highest court to which such order was appealed, or from which certiorari, reargument or rehearing was sought and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, the possibility that a timely motion under Bankruptcy Rules 9023 or 9024 or any applicable analogous

rule may be filed with respect to such order shall not prevent such order from being a Final Order.

1.38 For-Sale Property means all of the property and New Stock of DCHC, Greater Southeast, Hadley, Pacifica and Michael Reese other than any Litigation Claims.

1.39 General Unsecured Claim means any Claim that is not a Secured Claim, Administrative Expense Claim, Other Priority Claim, Priority Tax Claim, Medical Malpractice Claim or NCFE Ownership Claim.

1.40 Greater Southeast means Greater Southeast Community Hospital Corporation I.

1.41 GUC Disputed Claims Reserve shall have the meaning set forth in section [7.1(c)(i)].

1.42 Hadley means PACIN Healthcare-Hadley Memorial Hospital Corporation of Washington, D.C.

1.43 HCRI shall mean Health Care REIT, Inc.

1.44 HCRI Pacifica Collateral shall have the meaning set forth in the DIP Agreement.

1.45 HCRI Senior Secured Claim means the Secured Claim of HCRI to the extent secured by the HCRI Pacifica Collateral, pursuant to the DIP Agreement and prior to the HCRI Debt Restructuring.

1.46 Independent Director means Thomas M. Reardon, in his capacity as an independent director of each of the Debtors (other than Pine Grove), or, if applicable, his successor(s).

1.47 Investors mean the members of the Debtors' management who are proponents of the Recapitalization Proposal.

1.48 Junior Secured Claim means any Claim secured by a junior lien granted as adequate protection to National Century Financial Enterprises, Inc. and/or its affiliates pursuant to the DIP Agreement.

1.49 Litigation Claims mean all claims, rights and causes of action that could have been brought by or on behalf of the Debtors arising before, on or after the Commencement Date, known or unknown, suspected or unsuspected, in contract or in tort, at law or equity under any theory of law, including, but not limited to (i) those referred to in the Disclosure Statement, (ii) avoidance actions, (iii) derivative claims, (iv) rights of setoff or recoupment and (v) claims for breach of contract or duty imposed by law; provided, however, any right, claim or action of any of the Debtors that is released pursuant to the Plan is not a Litigation Claim. Notwithstanding the foregoing, "Litigation

Claims" shall not include any avoidance actions against the Critical Physicians and, in the event the Recapitalization Proposal is the Winning Bid, "Litigation Claims" shall include only claims or actions against NCFE and claims against directors and officers insurance, unless otherwise designated by the proponents of the Recapitalization Proposal prior to closing.

1.50 Litigation Proceeds means any net amounts collected by the Distribution LLC on account of the Litigation Claims.

1.51 LLC Agent means the Person appointed in accordance with the Distribution LLC Agreement to administer the Distribution LLC.

1.52 LLC Interest means an interest in the Distribution LLC conveyed to a holder of an Allowed General Unsecured Claim in accordance with Section [4.10] of this Plan.

1.53 Malpractice Claims Resolution Process means the mediation procedures for determining the Allowed amount of any Medical Malpractice Claim as set forth in the Medical Malpractice Claimants Trust Agreement.

1.54 Medical Malpractice Claimants Trust means the trust to be established pursuant to the Medical Malpractice Claimants Trust Agreement and funded by the Insurer(s) and, to the extent Medical Malpractice Claims may constitute Assumed Liabilities thereof, by the Winning Bidder(s), as set forth in section [6.6].[2]

1.55 Medical Malpractice Claimants Trust Agreement means the trust agreement to be executed prior to the Effective Date establishing the Medical Malpractice Claimants Trust, substantially in the form to be filed with the Plan Supplement.

1.56 Medical Malpractice Claim means any pre-petition Claim relating to medical malpractice asserted against the Debtors and/or the Debtors' Insurer(s) that previously has not been compromised, settled or otherwise resolved.

1.57 Medline means Medline Industries, Inc.

1.58 Medline Michael Reese Collateral means the Medline Michael Reese Collateral as set forth in the DIP Agreement.

---

[2] If the Recapitalization Proposal is the Winning Bid, there will be no Medical Malpractice Claimants Trust as the Reorganized Debtors will assume liability for all Medical Malpractice Claims (including Medical Malpractice Claims related to Pine Grove). In so doing, the Reorganized Debtors will assume all related professional liability insurance of the Debtors, including, without limitation, Claims for deductibles and/or self-insured retention under those policies.

1.59 Medline Senior Secured Claim means the Secured Claim of Medline to the extent secured by the Medline Michael Reese Collateral.

1.60 Michael Reese means Michael Reese Medical Center Corporation of Chicago, Illinois.

1.61 NCFE means National Century Financial Enterprises, Inc. and its affiliates.

1.62 NCFE-Owned Property means any property that is the subject of an NCFE Ownership Claim.

1.63 NCFE Ownership Claim means any Claim asserted by National Century Financial Enterprises, Inc. and/or its affiliates to the extent such Claim alleges an ownership interest in property in which the Debtors claim an interest.

1.64 NCFE Secured Claim means any Claim asserted by National Century Financial Enterprises, Inc. and/or its affiliates to the extent such Claim is alleged to be secured by Collateral.

1.65 New Stock means the common stock of the respective Reorganized Debtors authorized to be issued pursuant to section [6.3] of the Plan.

1.66 Non-auctioned Property means any Unsold Facility and any Remaining For-Sale Property that ultimately is not conveyed to a Winning Bidder pursuant to the Sale.

1.67 Notice of Effectiveness means a notice, substantially in the form to be filed with the Plan Supplement, indicating effectiveness of the Plan.

1.68 Other Priority Claim means any Claim, other than an Administrative Expense Claim or Priority Tax Claim entitled to priority in payment, as specified in sections 507(a)(2)-(7) and (9) of the Bankruptcy Code.

1.69 Other Secured Claim means any Secured Claim other than a DIP Claim, NCFE Secured Claim, HCRI Senior Secured Claim, Medline Senior Secured Claim or Junior Secured Claim.

1.70 Pacifica means Pacifica of the Valley Corporation of Sun Valley, California.

1.71 Person means an individual, partnership, corporation, limited liability company, business trust, joint stock company trust, unincorporated association, joint venture, governmental authority, governmental unit or other entity of whatever nature.

1.72 Pine Grove means Pine Grove Hospital Corporation of Canoga Park, California.

1.73 Pine Grove Remaining Assets means all remaining assets of Pine Grove following the sale of substantially all of the assets of Pine Grove, approved by order of the Bankruptcy Court dated May 30, 2003.

1.74 Pine Grove Sale Proceeds means the net proceeds from the sale of substantially all of the assets of Pine Grove, approved by order of the Bankruptcy Court dated May 30, 2003 and consummated on or about June 6, 2003.

1.75 Plan means this chapter 11 plan, including all exhibits and schedules annexed hereto and the Plan Supplement, either in its present form or as it may be altered, amended or modified from time to time.

1.76 Plan Supplement means the compilation of documents and forms of documents specified in this Plan that will be filed with the Court on or before the date that is [10] days prior to the Confirmation Hearing.

1.77 Priority Tax Claim means any Claim of a governmental unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.78 Professional Liability Insurer means any entity that provides or provided the Debtors with professional liability insurance and who agrees to fund the Medical Malpractice Claimants Trust.

1.79 Professional Liability Insurer Claims means any pre-petition Claim of a Professional Liability Insurer for deductible or self-insured retention amounts owed by the Debtors pursuant to a professional liability insurance policy.

1.80 Pro Rata means the proportion that the amount of any Claim in a particular Class bears to the aggregate amount of all Claims in such Class, including any Disputed Claims in such Class.

1.81 Recapitalization Proposal means the proposal of certain members of the Debtors' management (and other parties) to contribute new capital to facilitate the reorganization of certain of the Debtors in exchange for the New Stock of the Reorganized Debtors. The Recapitalization Proposal is described in detail in Exhibit [8] to the Disclosure Statement.

1.82 Record Date means 15 Business Days prior to the Confirmation Date.

1.83 Released Parties shall have the meaning set forth in section [12.1].

1.84 Releasing Creditors shall have the meaning set forth in section [12.1].

1.85 Remaining For-Sale Property means any For-Sale Property not be transferred to a Winning Bidder on the Effective Date.

1.86 Reorganized By-laws means, with respect to any Reorganized Debtor, the by-laws of such Reorganized Debtor, as amended and restated, substantially in the forms to be filed with the Plan Supplement.

1.87 Reorganized DCHC means DCHC on and after a Closing Date on which its New Stock is exchanged to a Winning Bidder.

1.88 Reorganized Articles of Incorporation means, with respect to any Reorganized Debtor, the articles of incorporation of such Reorganized Debtor, as amended and restated, substantially in the forms to be filed with the Plan Supplement. The Reorganized Articles of Incorporation for each Reorganized Debtor shall, among other things, prohibit the issuance of nonvoting equity securities, subject to further amendment of such Articles of Incorporation as permitted by applicable law.

1.89 Reorganized Debtor means any of Reorganized Greater Southeast, Reorganized Hadley, Reorganized Pacifica, Reorganized Michael Reese, and Reorganized DCHC.

1.90 Reorganized Greater Southeast means Greater Southeast on and after a Closing Date on which (i) its New Stock is issued to a Winning Bidder, or (ii) the New Stock of DCHC is exchanged to a Winning Bidder and Greater Southeast remains a direct or indirect wholly-owned subsidiary of Reorganized DCHC.

1.91 Reorganized Hadley means Hadley on and after a Closing Date on which (i) its New Stock is issued to a Winning Bidder, or (ii) the New Stock of DCHC is exchanged to a Winning Bidder and Hadley remains a direct or indirect wholly-owned subsidiary of Reorganized DCHC.

1.92 Reorganized Michael Reese means Michael Reese on and after a Closing Date on which (i) its New Stock is issued to a Winning Bidder, or (ii) the New Stock of DCHC is exchanged to a Winning Bidder, and Michael Reese remains a direct or indirect wholly-owned subsidiary of Reorganized DCHC.

1.93 Reorganized Pacifica means Pacifica on and after a Closing Date on which (i) its New Stock is issued to a Winning Bidder, or (ii) the New Stock of DCHC is exchanged to a Winning Bidder and Pacifica remains a direct or indirect wholly-owned subsidiary of Reorganized DCHC.

1.94 Sale means the sale, as implemented through the Bidding Procedures, of the assets and/or the New Stock of DCHC, Greater Southeast, Hadley, Pacifica and Michael Reese.

1.95 Sale Proceeds means the Cash proceeds of the Sale.

1.96 Schedules means the schedules of assets and liabilities and the statements of financial affairs filed by each of the Debtors on February 19, 2003 as required by

section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, including any supplements or amendments thereto through the Confirmation Date.

1.97 Secured Claim means a Claim (i) secured by Collateral and where the amount of such Claim is equal to or less than the value of such Collateral (A) as set forth in the Plan, (B) as agreed to by the holder of such Claim and the Debtors or, after the Effective Date, the Reorganized Debtors or the LLC Agent, as appropriate, or (C) as determined by a Final Order in accordance with section 506(a) of the Bankruptcy Code or (ii) the amount of any rights of setoff of the holder thereof under section 553 of the Bankruptcy Code.

1.98 Senior Claim means, with respect to any Cash, assets, Collateral or the proceeds thereof, a Claim with superior rights thereto relative to another Claim under the Plan or otherwise applicable law.

1.99 Tort Claim means any Claim, other than a Medical Malpractice Claim, relating to personal injury, property damage, or products liability or other similar Claims asserted against the Debtors that have not previously been compromised, settled or otherwise resolved.

1.100 Unsold Facility shall have the meaning set forth in section [6.2(d)].

1.101 Wind-Down Costs mean those expenses that may be incurred by the Distribution LLC in winding down any Unsold Facilities or, more generally, the affairs of the Debtors, including, but not limited to, any expenses associated with shutting down a hospital of the Debtors, any expenses incurred in complying with the WARN Act and any insurance, including tail insurance, purchased in connection with any wind-down activities.

1.102 Winning Bid(s) means the Bid or Bids, the acceptance of which, in the sole discretion of the Independent Director pursuant to the Bidding Procedures, is in the best interests of the Debtors' estate and the creditors' thereof.

1.103 Winning Bidder(s) means the holder or holders of the Winning Bid(s).

Construction of Certain Terms

The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained in the Plan. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. Any term used in the Plan that is not defined shall have the meaning ascribed to that term, if any, in the Bankruptcy Code.

Article II.

TREATMENT AND PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.1 Administrative Expense Claims. Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to different treatment or as otherwise provided in section [2.2] below, the LLC Agent shall pay to each holder of an Allowed Administrative Expense Claim, on the later of the Effective Date and the date that such Allowed Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as practicable, an amount in Cash equal to the Allowed amount of such Claim; provided, however, that the Allowed Administrative Expense Claims representing obligations incurred in the ordinary course of business of the Debtors as Debtors-in-Possession or liabilities arising under loans or advances to or other obligations incurred by any of such Debtors-in-Possession (including, without limitation, Claims for medical malpractice that have arisen since the Commencement Date) shall be paid in full and performed by the LLC Agent or the Reorganized Debtors, as the case may be, in accordance with the terms and subject to the conditions of the particular transactions and any applicable agreement.

2.2 Professional Compensation and Reimbursement Claims. All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement for expenses incurred through and including the Effective Date under section 503(b) of the Bankruptcy Code shall (a) file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is 45 days after the Effective Date or such other date as may be fixed by the Bankruptcy Court, and (b) if granted such an award by the Bankruptcy Court, be paid in full in such amounts as are Allowed from the Distribution LLC (i) on the date such award is granted by a Final Order, or as soon thereafter as is practicable, or (ii) upon such other terms as may be mutually agreed upon by the relevant professional and the Debtors or, after the Effective Date, the LLC Agent.

2.3 Priority Tax Claims. Except to the extent that any entity entitled to payment of any Allowed Priority Tax Claim agrees to different treatment, the relevant Reorganized Debtor(s) under the Recapitalization Proposal, assuming it is the Winning

Bid, or if otherwise specifically assumed pursuant to the terms of a Winning Bid, shall pay to each holder of an Allowed Priority Tax Claim equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to four percent (4%), over a period through the sixth anniversary of the date of assessment of such Allowed Priority Tax Claim, but the LLC Agent shall pay any Allowed Priority Claim not assumed by a Reorganized Debtor or Winning Bidder, as applicable, in full in Cash on the later of the Effective Date and the date such Allowed Priority Tax Claim becomes and Allowed Priority Tax Claim, or as soon thereafter as is practicable (with the first payment commencing on the first anniversary of the Effective Date).

Article III.

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 Classes. Claims, other than Administrative Expense Claims and Priority Tax Claims, are classified for all purposes, including voting (unless otherwise specified), confirmation, and distribution pursuant to the Plan, as follows:

CLASS	STATUS	ENTITLED TO VOTE
Class 1 – DIP Claim	Unimpaired	No (deemed to accept)
Class 2 – Other Priority Claims	Unimpaired	No (deemed to accept)
Class 3 – HCRI Senior Secured Claim	Impaired	Yes
Class 4 – Medline Senior Secured Claim	Impaired	Yes
Class 5 – Other Secured Claims	Impaired	Yes
Class 6 – Medical Malpractice Claims	Impaired	Yes*
Class 7 – NCFE Secured Claims	Impaired	Yes
Class 8 – NCFE Ownership Claims	Impaired	Yes
Class 9 – Junior Secured Claims	Impaired	Yes
Class 10 – General Unsecured Claims	Impaired	Yes
Class 10(a) – Professional Liability Insurer Claims	Impaired	Yes**
Class 11 – Equity Interests	Impaired	No (deemed to reject)

* Unless the Recapitalization Proposal is the Winning Bid, in which case Medical Malpractice Claims shall be unimpaired.

** Unless the Recapitalization Proposal is the Winning Bid, in which case Professional Liability Insurer Claims shall be unimpaired.

3.2 Subclasses. For convenience of identification, the Plan groups Claims in Class 5, Class 7, Class 8 and Class 9, respectively, as belonging to a single Class. Each such Class comprises a group of subclasses, based upon the underlying property securing, or which is the subject of, such Claims, and each subclass is treated hereunder as a distinct Class for voting and distribution purposes. Similarly, the Plan groups Equity Interests in Class 11 as belonging to a single Class. Preferred and common stock interests comprise separate subclasses, and each subclass of Equity Interests in Class 11 is treated hereunder as a distinct Class for voting and distribution purposes.

Article IV.

TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 Class 1 - DIP Claim.

(a) Impairment and Voting. Class 1 is unimpaired by the Plan. Each holder of the DIP Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for the DIP Claim, the holder(s) of the DIP Claim, except to the extent the holder(s) of the DIP Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, shall be paid in full in Cash on the Effective Date pursuant to the terms of the DIP Agreement from the Distribution LLC.

4.2 Class 2 - Other Priority Claims.

(a) Impairment and Voting. Class 2 is unimpaired by the Plan. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for the Allowed Other Priority Claims, each holder of an Allowed Other Priority Claim shall receive, except to the extent that such holder of an Allowed Other Priority Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, Cash from the LLC Agent in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such

Allowed Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

4.3 Class 3 - HCRI Senior Secured Claim.

(a) Impairment and Voting. Class 3 is impaired by the Plan. The holder of the HCRI Senior Secured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for any Allowed HCRI Senior Secured Claim, the holder of such Allowed HCRI Senior Secured Claim shall receive, except to the extent that the holder of such Allowed HCRI Senior Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment,[3] on any Closing Date when any of the HCRI Pacifica Collateral is transferred to a Winning Bidder(s) or another party pursuant to a sale arranged by the LLC Agent, or as soon thereafter as is practicable, Cash from the Distribution LLC in the amount of the net proceeds received from such Winning Bidder(s) or other party attributable to such HCRI Pacifica Collateral; provided, however, that the sum of distributions provided to the holder of the Allowed HCRI Senior Secured Claim shall not exceed $18.8 million, plus accrued interest at the non-default rate since the Commencement Date; provided further, however, in the sole discretion of the LLC Agent, in the event any HCRI Pacifica Collateral constitutes Non-auctioned Property, the holder of such Allowed HCRI Senior Secured Claim may receive such Non-auctioned Property and the amount of the Allowed HCRI Senior Secured Claim shall be reduced by the value of such Non-auctioned Property.

4.4 Class 4 – Medline Senior Secured Claim.

(a) Impairment and Voting. Class 4 is impaired by the Plan. The holder of the Medline Senior Secured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for any Allowed Medline Senior Secured Claim, the holder of such Allowed Medline Senior Secured Claim shall receive, except to the extent that the holder of such Allowed Medline Senior Secured Claim has been paid by the Debtors

[3] HCRI may be a bidder for the HCRI Collateral in the Sale. To the extent it is, it may credit bid its Secured Claim in the Sale. HCRI has also agreed that if the New Stock is issued pursuant to the Recapitalization Proposal, it will retain its lien and restructure its debt as described in Exhibits [7] and [7D] to the Disclosure Statement. Certain payments are required to be made to HCRI in connection with the restructuring of its debt under the Recapitalization Proposal. Those payments will be made by the Distribution LLC if the Recapitalization Proposal is the Winning Bid.

prior to the Effective Date or agrees to different treatment,[4] on any Closing Date when any of the Medline Michael Reese Collateral is transferred to a Winning Bidder or another party pursuant to a sale arranged by the LLC Agent, or as soon thereafter as is practicable, Cash from the Distribution LLC in the amount of the net proceeds received from such Winning Bidder or such other party attributable to such Medline Michael Reese Collateral; provided, however, that the sum of distributions provided to the holder of the Allowed Medline Senior Secured Claim shall not exceed $15.6 million, plus accrued interest at the non-default rate since the Commencement Date; provided further, however, in the sole discretion of the LLC Agent, in the event any Medline Michael Reese Collateral constitutes Non-auctioned Property, the holder of such Allowed Medline Senior Secured Claim may receive such Non-auctioned Property and the amount of the Allowed Medline Senior Secured Claim shall be reduced by the value of such Non-auctioned Property.

4.5 Class 5 – Other Secured Claims.

(a) Impairment and Voting. Class 5 is impaired by the Plan. Each holder of an Allowed Other Secured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for the Allowed Other Secured Claims, except to the extent that the holder of an Allowed Other Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, on the later of the Closing Date when the Collateral securing such Allowed Other Secured Claim is transferred to a Winning Bidder or another party pursuant to a sale arrangement by the LLC Agent and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable, as determined by the terms of the Winning Bid(s), (i) such Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, or (ii) the holder of such Allowed Other Secured Claim shall receive Cash from the LLC Agent in an amount equal to the lesser of the amount of the net proceeds received from such Winning Bidder or such other party attributable to such Collateral, after the satisfaction of all Senior Claims thereto, and the amount of such Allowed Other Secured Claim; provided, however, in the sole discretion of the LLC Agent, in the event such Collateral constitutes Non-auctioned Property, the holder of such Allowed Other Secured Claim may receive such Non-auctioned Property after the satisfaction of all Senior Claims thereto and the

[4] Medline may be a bidder for the Medline Michael Reese Collateral in the Sale. To the extent it is, it may credit bid its Secured Claim in the Sale. Medline has also agreed that if the New Stock is issued pursuant to the Recapitalization Proposal, it, among other things, will acquire Michael Reese's real property and certain equity in Reorganized DCHC for $24 million to be paid in cash and the cancellation of its Secured Claim, and it will lease back to Reorganized Michael Reese land and buildings sufficient to run its operations, all as more fully described in Exhibits [7] and [7C] to the Disclosure Statement.

amount of the Allowed Other Secured Claim shall be reduced by the value of such Non-auctioned Property.

4.6 Class 6 – Medical Malpractice Claims.

(a) Impairment and Voting. Subject to section 4.6(c) below, Class 6 is impaired by the Plan. Each holder of an Allowed Medical Malpractice Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. Subject to section 4.6(c) below, in full and complete satisfaction, settlement and release of and in exchange for the Allowed Medical Malpractice Claims, prior to the Effective Date, the Debtors will cause the following to occur: (i) the execution of the Medical Malpractice Claimants Trust Agreement, thereby establishing the Medical Malpractice Claimants Trust; (ii) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Michael Reese; (iii) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Greater Southeast, Hadley, Pacifica and DCHC.

The Medical Malpractice Claimants Trust will assume full responsibility for (i) resolving all Medical Malpractice Claims pursuant to the Medical Malpractice Claimants Trust Agreement and the Malpractice Claims Resolution Process provided therein, (ii) making payments in full on account of Medical Malpractice Claims that become Allowed under the conditions set forth in the Medical Malpractice Claimants Trust Agreement, (iii) fulfilling its other obligations under the Medical Malpractice Claimants Trust Agreement and (iv) paying its own costs and expenses. Holders of Medical Malpractice Claims shall have recourse only against the Medical Malpractice Claimants' Trust on account of their Medical Malpractice Claims.

The Debtors are currently in negotiations with their insurers with respect to funding the Medical Malpractice Claimants Trust. To the extent that this funding is not forthcoming and the Recapitalization Proposal is not the Winning Bid, the Debtors will amend the Plan to eliminate Class 6 and Class 10(a) and the holders of Class 6 and Class 10(a) claims will be classified as Class 10 General Unsecured Claims.

(c) Recapitalization Proposal.

(i) Notwithstanding the foregoing, if the Recapitalization Proposal is the Winning Bid, Class 6 shall be unimpaired by the Plan. Each holder of a Medical Malpractice Claim then will be conclusively presumed to have accepted the Plan and its vote, to the extent cast, shall be disregarded.

(ii) If the Recapitalization Proposal is the Winning Bid, the Reorganized Debtors shall assume liability for all of their respective Medical Malpractice Claims and joint and several liability for all Medical Malpractice Claims of Pine Grove, and the legal, equitable and contractual rights to which a Medical Malpractice Claim

entitles the holder thereof shall be unaltered. The Reorganized Debtors also will assume and be entitled to the benefits of any insurance that is available to the Debtors for Medical Malpractice Claims, in accordance with the provisions set forth in Class 10(a) below. The holders of Medical Malpractice Claims shall be entitled to payment, in accordance with applicable law, only to the extent those claims are liquidated by a court or other appropriate tribunal of competent jurisdiction or settled by the Reorganized Debtors. Nothing herein allows or accelerates a right to payment by or for the holder of any Medical Malpractice Claim.

4.7 Class 7 – NCFE Secured Claims.

(a) Impairment and Voting. Class 7 is impaired by the Plan. The holders of Allowed NCFE Secured Claims are entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for any Allowed NCFE Secured Claim, the holder of such Allowed NCFE Secured Claim shall receive, except to the extent that the holder of such Allowed NCFE Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, on the later of any Closing Date when any of the Collateral securing such Allowed NCFE Secured Claim is transferred to a Winning Bidder or another party pursuant to a sale arranged by the LLC Agent and the date such Allowed NCFE Secured Claim becomes an Allowed NCFE Secured Claim, or as soon thereafter as is practicable, Cash from the Distribution LLC equal to the lesser of the amount of the net proceeds received from such Winning Bidder or such other party attributable to such Collateral, after the satisfaction of all Senior Claims thereto, and the amount of such Allowed NCFE Secured Claim; provided, however, in the sole discretion of the LLC Agent, in the event such Collateral constitutes Non-auctioned Property, the holder of such Allowed NCFE Secured Claim may receive such Collateral after the satisfaction of all Senior Claims thereto and the amount of such Allowed NCFE Secured Claim shall be reduced by the value of such Non-auctioned Property; provided further, however:

(i) To the extent the total distribution received by the holder of such Allowed NCFE Secured Claim is less than the amount of such Allowed NCFE Secured Claim, and to the extent such deficiency is attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Secured Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Secured Claim shall receive a Junior Secured Claim in an amount equal to such deficiency; but

(ii) To the extent the total distribution received by the holder of such Allowed NCFE Secured Claim is less than the amount of such Allowed NCFE Secured Claim, and to the extent such deficiency is not attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Secured Claim by the DIP Claim or the imposition of

the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Secured Claim shall receive a General Unsecured Claim in an amount equal to such deficiency.

4.8 Class 8 – NCFE Ownership Claims.

(a) Impairment and Voting. Class 8 is impaired by the Plan. Each holder of an Allowed NCFE Ownership Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for any Allowed NCFE Ownership Claim, the holder of such Allowed NCFE Ownership Claim shall receive, except to the extent that the holder of such Allowed NCFE Ownership Claim has been paid by the Debtors prior to the Effective Date or agrees to different treatment, on the later of any Closing Date when any property that is the subject of such Allowed NCFE Ownership Claim is transferred to a Winning Bidder(s) or another party pursuant to a sale arranged by the LLC Agent and the date such Allowed NCFE Ownership Claim becomes an Allowed NCFE Ownership Claim, or as soon thereafter as is practicable, Cash from the Distribution LLC equal to the lesser of the amount of the net proceeds received from such Winning Bidder or such other party attributable to the property that is the subject of such Allowed NCFE Ownership Claim, after the satisfaction of all Senior Claims thereto, and the amount of such Allowed NCFE Ownership Claim; provided, however, in the sole discretion of the LLC Agent, in the event such property that is the subject of an Allowed NCFE Ownership Claim constitutes Non-auctioned Property, the holder of such Allowed NCFE Ownership Claim may receive such property after the satisfaction of all Senior Claims thereto and the amount of such Allowed NCFE Ownership Claim shall be reduced by the value of such Non-auctioned Property; provided further, however:

(A) To the extent the total distribution received by the holder of such Allowed NCFE Ownership Claim is less than the amount of such Allowed NCFE Ownership Claim, and to the extent such deficiency is attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Ownership Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Ownership Claim shall receive a Junior Secured Claim in an amount equal to such deficiency; but

(B) To the extent the total distribution received by the holder of such Allowed NCFE Ownership Claim is less than the amount of such Allowed NCFE Ownership Claim, and to the extent such deficiency is not attributable to the use by the Debtors of Cash Collateral, the priming of such Allowed NCFE Ownership Claim by the DIP Claim or the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code, the holder of such Allowed NCFE Ownership Claim

shall receive a General Unsecured Claim in an amount equal to such deficiency.

4.9 Class 9 – Junior Secured Claims.

(a) Impairment and Voting. Class 9 is impaired by the Plan. Each holder of an Allowed Junior Secured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for the Allowed Junior Secured Claims, each holder of an Allowed Junior Secured Claim shall receive, except to the extent such holder of an Allowed Junior Secured Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, the following:

(i) Upon the latest of the Effective Date, the date such Allowed Junior Secured Claim becomes an Allowed Junior Secured Claim or the Closing Date when the Collateral securing such Allowed Junior Secured Claim is transferred to a Winning Bidder or another party pursuant to a sale arranged by the LLC Agent, or as soon thereafter as practicable, the holder of such Allowed Junior Secured Claim shall receive an amount equal to its Pro Rata share of the net proceeds received from such Winning Bidder or such other party attributable to the Collateral securing such Allowed Junior Secured Claim after all Senior Claims thereto have been satisfied.

(ii) Notwithstanding the foregoing, in the sole discretion of the LLC Agent, in the event that the Collateral securing such Junior Secured Claim constitutes Non-auctioned Property, the holder of such Junior Secured Claim may receive such Collateral after the satisfaction of all Senior Claims and pari passu Claims thereto and the amount of such Allowed Junior Secured Claim shall be reduced by the value of such Non-auctioned Property.

4.10 Class 10 - General Unsecured Claims.

(a) Impairment and Voting. Class 10 is impaired by the Plan. Each holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. In full and complete satisfaction, settlement and release of and in exchange for the Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim shall receive, except to the extent such holder of an Allowed General Unsecured Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, on the later of the Effective Date or the date such Allowed General Unsecured Claim becomes an Allowed General Unsecured Claim, or as soon thereafter as practicable, an LLC Interest entitling such holder to an amount equal to

its Pro Rata share of the net proceeds remaining in the Distribution LLC after all Senior Claims thereto have been satisfied; provided, however, no such distribution shall be made to the extent any Disputed Senior Claims to such proceeds remain and for which payment in the Disputed amount has been not otherwise reserved.

4.10a Class 10(a) Professional Liability Insurer Claims.

(i) Impairment and Voting. Subject to section 4.10(a)(iii) below, Class 10(a) is impaired under the Plan. Each holder of an Allowed Professional Liability Insurer Claim is entitled to vote to accept or reject the Plan.

(ii) Distributions. Subject to section 4.10(a)(iii) below, in full and complete satisfaction, settlement and release of, and in exchange for, any Allowed Professional Liability Insurer Claim, the holder of such Allowed Professional Liability Insurer Claim shall be entitled to the benefits and protection of the Medical Malpractice Claimants Trust; provided, however, any holder of a Professional Liability Insurer Claim that does not fund the Medical Malpractice Claimants Trust shall not be entitled to the benefits and protection of the Medical Malpractice Trust and such Professional Liability Insurer Claim shall be treated as a General Unsecured Claim.

The Debtors are currently in negotiations with their insurers with respect to funding the Medical Malpractice Claimants Trust. To the extent that this funding is not forthcoming and the Recapitalization Proposal is not the Winning Bid, the Debtors will amend the Plan to eliminate Class 6 and Class 10(a) and the holders of Class 6 and Class 10(a) claims will be classified as Class 10 General Unsecured Claims.

(iii) If the Recapitalization Proposal is the Winning Bid, the Reorganized Debtors shall assume all professional liability insurance, will be entitled to the benefits of that insurance in respect of Medical Malpractice Claims, and shall be liable for all Allowed Professional Liability Insurer Claims and Allowed Medical Malpractice Claims, as, where and only to the extent each became owing in the ordinary course of business. In such an event, each holder of a Professional Liability Insurer Claim will be conclusively presumed to have accepted the Plan and its vote, to the extent cast, shall be disregarded.

4.11 Class 11 - Equity Interests.

(a) Impairment and Voting. Class 11 is impaired by the Plan. Each holder of an Allowed Equity Interest is conclusively presumed to reject the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of Equity Interests shall not receive any distributions on account of the Equity Interests. The Equity Interests of DCHC will be cancelled on the Effective Date. The Equity Interests of the other Debtors, which are directly or indirectly wholly-owned by DCHC, will be cancelled only if such Debtor is not to be retained in the same capacity as a direct or indirect wholly-owned subsidiary of a Reorganized DCHC.

Article V.

PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN

5.1 Voting of Claims. Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan pursuant to article [IV] of the Plan, or the holder of a Claim that has been temporarily Allowed for voting purposes only under Bankruptcy Rule 3018(a), shall be entitled to vote separately to accept or reject the Plan as provided for in the order entered by the Bankruptcy Court on _____, 2003 establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

5.2 Presumed Rejections of the Plan and Cramdown. For purposes of voting on the Plan, each holder of an Equity Interest in Class [11] is conclusively presumed to have rejected the Plan. The Debtors shall utilize the provisions of section 1129(b) of the Bankruptcy Code to satisfy the requirements for confirmation of the Plan over the presumed rejection of Class [11] and the rejection, if any, of any other Class entitled to vote to accept or reject the Plan.

5.3 Method of Distributions Under the Plan.

(a) Distributions Generally. The LLC Agent shall make all distributions required by the Plan, other than, to the extent applicable, the Assumed Liabilities or as otherwise provided pursuant to the terms of the Winning Bid(s). The appropriate Reorganized Debtor(s) shall reimburse the Distribution LLC to the extent any funds from the Distribution LLC are used to satisfy any Assumed Liabilities thereof. Any payment of Cash made by the LLC Agent, a Reorganized Debtor or a Winning Bidder pursuant to the Plan may be made at the option of such party either by check drawn on a domestic bank or by wire transfer from a domestic bank.

(b) Initial Distribution. Unless otherwise provided herein, as soon as is reasonably practical on or after the Effective Date, the LLC Agent shall remit to holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims an amount in Cash equal to the Allowed amount of such Claims, or such lesser amounts as agreed to by such holders.

(c) Timing of Distributions. Unless otherwise provided herein, any distribution to be made by the LLC Agent or the Reorganized Debtors shall be made to the extent and at the time provided in article [IV] of this Plan. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day but shall be deemed to have been completed as of the required date.

(d) Delivery of Distributions. Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents, copies of which will be provided to the LLC Agent and the Reorganized Debtors. The LLC Agent and the Reorganized Debtors must be notified in writing of a change of address. Neither the LLC Agent nor the Reorganized Debtors shall be liable for any distribution sent to the address of record.

(e) Distributions to Holders as of Record Date. As of the close of business on the Record Date, the claims register, as applicable, shall be closed, and there shall be no further changes in the record holder of any Claim. Neither the LLC Agent nor the Reorganized Debtors shall have any obligation to recognize any transfer of any Claim occurring after the Record Date. The LLC Agent and the Reorganized Debtors shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Record Date.

(f) Undeliverable and Unclaimed Distributions. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the LLC Agent, the relevant Reorganized Debtor(s) or the relevant Winning Bidder(s), as appropriate, is notified of such holder's then-current address, at which time all missed distributions shall be made as soon as is practicable to such holder, without interest. Checks issued by the LLC Agent, a Reorganized Debtor or a Winning Bidder in respect of Allowed Claims shall be null and void if not negotiated within sixty (60) days after the date of issuance thereof. Requests for re-issuance of any check shall be made in accordance with the notice provisions of section [12.10] of the Plan and to the LLC Agent, the relevant Reorganized Debtor(s) or the relevant Winning Bidder(s), as appropriate, by the holder of the Allowed Claim to whom such check originally was issued. All claims for undeliverable distributions or voided checks shall be made on or before ninety (90) days after the date such undeliverable distribution was initially made. After such dates, all such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall become unencumbered Cash of the Distribution LLC, the relevant Reorganized Debtor(s) or the relevant Winning Bidder(s), as the case may be. The holder of any such Claim shall not be entitled to any other or further distribution under the Plan on account of such Claim.

(g) Setoffs. The LLC Agent or any Reorganized Debtor, as the case may be, may set off against or recoup from any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), the claims, rights and causes of action of any nature that the Debtors may hold against the holder of such Allowed Claim, including, without limitation, any rights of the Debtors under section 502(d) of the Bankruptcy Code; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the LLC Agent, any Reorganized Debtor or the LLC Agent of any such claims, rights and causes of action that the Debtors or the Debtors-in-Possession (or any successor thereto) may possess

against such holder; and provided further, however, that any claims of the Debtors arising before the Commencement Date shall first be setoff against Claims against the Debtors arising before the Commencement Date.

(h) Allocation of Distributions. Distributions to any holder of an Allowed Claim shall be allocated first to the principal portion (as determined for federal income tax purposes) of any such Allowed Claim and thereafter to the remaining portion of such Allowed Claim, if any.

Article VI.

MEANS FOR IMPLEMENTATION AND EXECUTION OF THE PLAN

6.1 Deemed Consolidation of Debtors for Plan Purposes Only.

(a) The Debtors shall be deemed consolidated for purposes of voting on and distributions under the Plan. Further, (i) no distributions shall be made under the Plan on account of intercompany Claims among the Debtors, (ii) no distributions will be made under the Plan on account of any Equity Interest held by one Debtor in any other Debtor, although a Reorganized DCHC may continue to hold all of the equity of any other Reorganized Debtor, in the same capacity, either directly or indirectly, unless such equity is otherwise cancelled in accordance with the provisions of the Plan, (iii) all guarantees of the Debtors of the obligations of any other Debtor shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors and (iv) each and every Claim filed or to be filed in the Chapter 11 Case of any of the Debtors shall be deemed filed against the consolidated Debtors and shall be deemed one Claim against the consolidated Debtors.

(b) The deemed consolidation of the Debtors shall not (other than for purposes related to funding distributions under the Plan as set forth above in this section) affect: (i) the legal and organizational structure of the Debtors, (ii) pre- and post-Commencement Date guarantees, liens and security interests that are required to be maintained (A) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or (B) pursuant to the Plan, (iii) defenses to any cause of action or requirements for any third party to establish mutuality in order to assert a right of setoff and (iv) distributions out of any insurance policies or proceeds of such policies.

6.2 Sale.

(a) Bidding Procedures. Prior to the filing of this Plan and the Disclosure Statement, the Debtors filed a motion with the Bankruptcy Court requesting approval of the Bidding Procedures. The Bidding Procedures were approved by the Bankruptcy Court on October 24, 2003. The Bidding Procedures provide, among other things, for the Sale of DCHC, Hadley, Greater Southeast, Pacifica and Michael Reese

and/or their respective assets. Bids will be considered to acquire the New Stock of any of the foregoing Debtors and/or purchase substantially all of their respective assets. A Winning Bid will be a Bid that the acceptance of which, in the sole discretion of the Independent Director and in accordance with the Bidding Procedures, either by itself or in conjunction with the acceptance of another Winning Bid or other Winning Bids, provides the greatest benefit to the Debtors' estates and the creditors' thereof.

(b) Transfer of Assets. On the relevant Closing Date, in exchange for the payment of the Sale Proceeds and the assumption of the Assumed Liabilities related thereto, the assets and, if applicable, the New Stock that are the subject of a Winning Bid shall be retained by the Reorganized Debtors or conveyed to the Winning Bidder(s) or other part(ies) as provided by the terms of the Winning Bid(s), free and clear of all claims, liens, and encumbrances or other interests therein, except to the extent otherwise provided in the Winning Bid(s). If the relevant Closing Date occurs after the Effective Date, such assets and/or New Stock will be so transferred by the LLC Agent to the Winning Bidder(s). If the relevant Closing Date occurs on the Effective Date, such assets and/or New Stock will be transferred by the appropriate Debtor(s) to the Winning Bidder(s). In either event, the Winning Bidder(s) will transfer the Sale Proceeds to the Distribution LLC on the relevant Closing Date, and any lien or encumbrance on or interest in any assets transferred to the Winning Bidder, or retained by the Reorganized Debtors, shall attach to the Sale Proceeds attributable to such assets and be afforded the same priority status.

(c) Assumed Liabilities. The Winning Bidder(s) will assume their respective Assumed Liabilities in accordance with their Winning Bid(s); provided, however, that with respect to any Allowed Claim that a Winning Bidder proposes to assume, if the treatment proposed by such Winning Bidder of such Allowed Claim is different than that provided in article [IV] of the Plan, excepting any requirement in article [IV] that the relevant distribution be paid by the LLC Agent, the holder of such Allowed Claim must consent to such different treatment. In the event that the holder of such Allowed Claim does not so consent, the Winning Bidder shall satisfy such Allowed Claim in accordance with article [IV] of the Plan.

(d) Unsold Facilities. The Bidding Procedures permit the Debtors the opportunity to reject any Winning Bid as inadequate or to choose to liquidate Hadley, Greater Southeast, Michael Reese and/or Pacifica if doing so would provide greater value to the Debtors' estates than any bid therefor. In such an event, the Debtors will transfer any such unsold facilities (an "Unsold Facility") to the Distribution LLC to be wound down and liquidated.

6.3 Reorganized Debtors.

(a) Reorganized Articles of Incorporation. Each Debtor (other than Pine Grove) shall adopt Reorganized Articles of Incorporation prior to, but effective as of, the Closing Date of any sale pursuant to a Winning Bid providing for the conveyance of New Stock relating to such Debtor.

(b) Reorganized By-laws. Each Debtor (other than Pine Grove) shall adopt Reorganized By-laws prior to, but effective as of, the Closing Date of any sale pursuant to a Winning Bid providing for the conveyance of New Stock relating to such Debtor.

(c) New Stock. With respect to each Debtor (other than Pine Grove), New Stock for such Debtor shall be issued to the Winning Bidder(s) therefor in accordance with the terms of the Winning Bid, the Debtor's Reorganized Articles of Incorporation and the Debtor's Reorganized By-laws; provided, however, no New Stock for a Debtor shall be issued if such Debtor is to be transferred to a Winning Bidder, in its current capacity as a wholly-owned direct or indirect subsidiary of DCHC, as part of the issuance of New Stock of DCHC to a Winning Bidder.

6.4 Cancellation of Equity Interests. On the Effective Date, the Equity Interests of DCHC will be terminated, cancelled and of no further force or effect. The Equity Interests of the other Debtors, which are directly or indirectly wholly-owned by DCHC, will be cancelled only if such Debtor is not to be retained in the same capacity as a direct or indirect wholly-owned subsidiary of a Reorganized DCHC.

6.5 The Distribution LLC.

(a) Establishment of the Distribution LLC. Prior to the Effective Date, the Debtors shall execute the Distribution LLC Agreement, which shall designate the LLC Agent as the manager of the Distribution LLC. The LLC Agent shall thereupon be authorized to take all other steps necessary to complete the formation of the Distribution LLC. The LLC Agent shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the assets of the Distribution LLC for the benefit of the holders of LLC Interests.

(b) Transfer of Assets. As of the Effective Date, the Debtors shall assign and transfer to the Distribution LLC all of their rights, title and interests in and to the Distribution LLC Assets. The Debtors or such other Persons that may have possession or control of such Distribution LLC Assets shall transfer possession or control of such property to the Distribution LLC prior to or as of the Effective Date and shall execute the documents or instruments necessary to effectuate such transfers. Such transfers shall be free and clear of any liens, claims and encumbrances, other than Continuing Liens, and no other entity, including the Debtors or Debtors-in-Possession, shall have any interest, legal, beneficial, or otherwise, in the Distribution LLC or the assets of the Distribution LLC upon their assignment and transfer to the Distribution LLC; provided, however, that all such assets will be transferred to the Distribution LLC subject only to the obligation of the Distribution LLC to pay (i) Administrative Expense Claims, Priority Tax Claims, the DIP Claim, Other Priority Claims and Secured Claims that have not been paid or Allowed as of the Effective Date (but which are subsequently Allowed), (ii) any expenses incurred and unpaid, or to be incurred by the Debtors in respect of consummation of the Plan and winding up of the Debtors' estates, (iii) in the event there exists any Disputed Claims on the Effective Date, such Claims to the extent

such Claims are subsequently Allowed, as set forth more fully in article [VII] of the Plan and (iv) post-Effective Date obligations of the Debtors, if any. In addition, in the event there exists any Disputed Claims on the Effective Date, the Distribution LLC shall at all times hold and maintain sufficient cash in an amount no less than that which would be required to distribute to the holders of Disputed Claims if all such Claims are subsequently Allowed, as set forth more fully in article [VII] of the Plan.

On the Effective Date, the LLC Agent and each holder of an Allowed General Unsecured Claim shall, by operation of the Plan, (i) be admitted to the Distribution LLC as a member of the Distribution LLC, (ii) become bound by the Distribution LLC Agreement, and (iii) receive an LLC Interest.

(c) Distributions; Beneficial Interests. All distributions from the Distribution LLC to holders of LLC Interests shall be made in accordance with such holders' relative beneficial ownership interests, at such times and in such amounts as shall be determined by the LLC Agent. The LLC Agent shall cause the Distribution LLC to retain sufficient funds as are reasonably necessary for the Distribution LLC to (i) meet contingent liabilities and to maintain the value of its non-cash assets until such assets are liquidated, (ii) pay reasonable administrative expenses of the Debtors and the Distribution LLC that have not been paid (including the Debtors' professional fees and expenses), or have not been Allowed as of the Effective Date but which are subsequently Allowed (including, but not limited to, the expenses of the LLC Agent and the Debtors' professional fees and expenses), (iii) fund the distribution to holders of Disputed Claims if and to the extent such Claims are subsequently Allowed and (iv) satisfy other liabilities incurred by the Distribution LLC in accordance with the Plan.

(d) Purpose of the Distribution LLC. The Distribution LLC shall be established for the sole purpose of liquidating its assets in furtherance of the Plan for the sole benefit of the holders of LLC Interests, with no objective to continue or engage in the conduct of a trade or business. The Distribution LLC shall be deemed not to be the same legal entity as any of the Debtors, but only an assignee of such assets of the Debtors that are transferred to the Distribution LLC within the meaning of section 1123(b)(3) of the Bankruptcy Code.

(e) Appointment of an LLC Agent. Prior to the Effective Date, the [members of the Committee] shall appoint the LLC Agent.

(f) Liquidation of Assets; Responsibility of LLC Agent. The LLC Agent shall have the power to (i) prosecute, compromise or settle for the benefit of the beneficiaries of the Distribution LLC all Litigation Claims, (ii) object to, oppose, negotiate and settle any Claims, (iii) liquidate the Distribution LLC Assets, (iv) wind down the affairs of the Debtors, including winding down any Unsold Facilities, and (v) otherwise perform the functions and take the actions provided for or permitted herein or in any other agreement executed by the LLC Agent pursuant to the Plan, in each case subject to the provisions of the Distribution LLC Agreement.

The LLC Agent shall, in an expeditious but orderly manner and subject to the provisions of the Distribution LLC Agreement, liquidate and convert to cash the Distribution LLC Assets, including conveying the Remaining For-Sale Assets pursuant to the results of the Sale and collecting the Sale Proceeds, and, in a timely manner, distribute the resulting net proceeds, including the Litigation Proceeds, Cash and other Distribution LLC Assets pursuant to the distribution scheme set forth herein. In so doing, the LLC Agent shall exercise its reasonable business judgment in liquidating the assets of the Distribution LLC to maximize recoveries. The liquidation of such assets of the Distribution LLC may be accomplished either through the sale of the assets of the Distribution LLC (in whole or in combination, and including the sale of any Litigation Claims) or through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims or Litigation Claims, or otherwise. The LLC Agent shall, subject to the provisions of the Distribution LLC Agreement, have discretion to elect whether or not to pursue any and all Litigation Claims as the LLC Agent may determine are in the best interests of the members of the Distribution LLC, consistent with the purposes of the Distribution LLC, and the LLC Agent shall have no liability to the Debtors, their estates, the members of the Distribution LLC, the Committee or any other party for the outcome of its decisions in this regard. The LLC Agent may incur any reasonable and necessary expenses in connection with the liquidation and conversion of the assets of the Distribution LLC to cash.

(g) Prosecuting Litigation Claims. As soon as possible, the LLC Agent shall segregate exactly $3 million in Cash from the assets of the Distribution LLC to fund the prosecution, negotiation and settlement of the Litigation Claims and Disputed Claims. Thereafter, the LLC Agent shall further fund such activities from any Litigation Proceeds it collects; provided that those Litigation Proceeds are not subject to a Continuing Lien. Any funds designated by the LLC Agent to be used to fund the prosecution, negotiation and settlement of the Litigation Claims and Disputed Claims that are not so used, shall be made available for distribution to holders of Allowed Claims in accordance with the distribution scheme set forth herein.

(h) Investing Powers. The right and power of the LLC Agent to invest any cash transferred to the Distribution LLC, the cash proceeds from the liquidation of any assets transferred to the Distribution LLC and the realization or disposition of any Litigation Claims, and any income earned by the Distribution LLC shall be limited to the right and power to invest such cash in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities or investments permitted by section 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such cash without inordinate credit risk or interest rate risk.

(i) Reporting Duties. The Distribution LLC will be treated as a partnership for federal tax purposes and, to the extent permitted under applicable law, for state and local income tax purposes. The LLC Agent shall be responsible for filing informational returns on behalf of the Distribution LLC and distributing information

statements to holders of LLC Interests, setting forth each such holder's allocable share of the income, loss, deduction or credit of the Distribution LLC.

For federal income tax purposes, the Distribution LLC's taxable income (or loss) shall be allocated among the holders of LLC Interests in a manner consistent with applicable Treasury Regulations taking into account such holders' relative economic interests in the Distribution LLC. Each holder of an LLC Interest will be required to take into account its allocable share of the income, loss, deduction or credit of the Distribution LLC in determining its taxable income for federal income tax purposes.

The LLC Agent shall file (or cause to be filed) any other statements, returns or disclosures relating to the Distribution LLC, including the GUC Disputed Claims Reserve, that are required by any governmental unit or applicable law.

(j) Implementation of Distribution LLC. On the Effective Date, the Distribution LLC will become effective for the benefit of Allowed General Unsecured Claims subject to the obligations of the Distribution LLC set forth in section [6.5] of the Plan. The Distribution LLC Agreement shall be filed in the Plan Supplement and shall contain provisions customary for agreements of Delaware limited liability companies utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Distribution LLC as a partnership for federal income tax purposes.

(k) Income Tax and Related Information. The LLC Agent shall be authorized to collect such tax and fiscal information from holders of LLC Interests (including, without limitation, social security numbers and/or other tax identification numbers) as it in its sole discretion deems necessary to effectuate the Plan, and the Confirmation Order shall expressly provide this authority. Failure by any holder of an LLC Interest to furnish this information in a timely fashion will cause a waiver of some or all of such holder's rights (if any) under the Plan and the Confirmation Order.

(l) Expedited Determinations of Taxes. The LLC Agent may request an expedited determination of taxes of the Distribution LLC or the GUC Disputed Claims Reserve, under section 505(b) of the Bankruptcy Code, for all returns filed for, or on behalf of, the Distribution LLC or the GUC Disputed Claims Reserve for all taxable periods through the dissolution of the such entities.

(m) Non-transferable; Registry of Beneficial Interests. Upon issuance thereof, beneficial interests in the Distribution LLC shall be non-transferable, except with respect to a transfer by will or under the laws of descent and distribution. Any such transfer, however, shall not be effective until and unless the LLC Agent receives written notice of such transfer. The LLC Agent shall maintain a registry of the holders of LLC Interests.

(n) Termination. The Distribution LLC will terminate after its liquidation, administration and distribution of the Distribution LLC Assets in accordance with the Plan and its material completion of all other duties and functions set forth herein

or in the Distribution LLC Agreement, but in no event later than three (3) years after the Effective Date, unless extended by the LLC Agent pursuant to the terms of the Distribution LLC Agreement.

6.6 Medical Malpractice Claimants Trust. Prior to the Effective Date, but only if the Recapitalization Proposal is not the Winning Bid, the Medical Malpractice Claimants Trust Agreement shall be executed establishing the Medical Malpractice Claimants Trust, which shall be funded by (i) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Michael Reese; (ii) the payment by the Insurer(s) of an aggregate amount of $_____ to the Medical Malpractice Claimants Trust to satisfy Allowed Medical Malpractice Claims against Greater Southeast, Hadley, Pacifica and DCHC. All holders of Medical Malpractice Claims shall have recourse against the Medical Malpractice Claims Trust on account of their Medical Malpractice Claims but shall not have any recourse against the Debtors, the Reorganized Debtors, the Distribution LLC or the Insurer(s) with respect to their Medical Malpractice Claims. Each holder of a Medical Malpractice Claim must participate in the Claims Resolution Process in order to establish the Allowed amount, if any, of such Medical Malpractice Claim.

6.7 Closing of the Chapter 11 Cases. When all Disputed Claims against the Debtors have become Allowed or have been disallowed by Final Order, and no controverted matter remains outstanding, the LLC Agent shall (a) to the extent the Winning Bid(s) did not involve the issuance of New Stock, dissolve and wind up the Debtors, and (b) seek authority from the Bankruptcy Court to close the Debtors' Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules. Dissolution and winding up of the Debtors, however, is not a prerequisite to the closing of the Debtors' Chapter 11 Cases.

Article VII.

PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

7.1 No Distributions Pending Allowance.

(a) General. Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on any portion of such Claim that is Disputed unless and until and only to the extent such portion becomes Allowed.

(b) Resolution of Disputed Claims. Other than with respect to Claims expressly assumed by a Reorganized Debtor, the LLC Agent shall have the right to the exclusion of all others (except as to applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, file and prosecute objections to Claims. With respect to Claims expressly assumed by a

Reorganized Debtor, such Reorganized Debtor shall have the right to the exclusion of all others (except as to applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, file and prosecute objections to Claims. The LLC Agent and the Reorganized Debtors each shall bear their own costs in pursuing objections to Claims. The LLC Agent or the Reorganized Debtor(s), as the case may be, shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, unless such Claim was already the subject of a valid objection by the Debtors. In no event shall the service of such an objection be later than 120 days after the Effective Date, unless such date is extended by order of the Bankruptcy Court. All objections shall be litigated to a Final Order except to the extent that the LLC Agent and/or the Reorganized Debtor(s), whichever prosecuted the objection, elects to withdraw such objection, or the LLC Agent and/or the Reorganized Debtor(s), as the case may be, and the holder of the Disputed Claim compromise, settle or otherwise resolve any such objections, in which event they may settle, compromise or otherwise resolve any Disputed Claim without approval of the Bankruptcy Court.

(c) Reserve Accounts for Disputed General Unsecured Claims.

(i) On and after the Effective Date, the LLC Agent shall hold in reserve (the "GUC Disputed Claims Reserve"), (i) Cash in an aggregate amount sufficient to pay to each holder of a Disputed General Unsecured Claim the amount that such holder currently would be entitled to receive under this Plan if such Disputed General Unsecured Claim immediately becomes Allowed in full, (ii) net earnings on such Cash and (iii) LLC Interests representing the interests that such holders would be entitled to receive under this Plan if such Disputed Claim becomes Allowed in full. All Cash and cash equivalents and earnings thereon contained in the GUC Disputed Claims Reserve shall be used to satisfy any expense incurred in connection with the maintenance of such reserve, including administrative expenses incurred in the operation of the applicable trust and taxes payable on such interest income.

(ii) Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the LLC Agent of a private letter ruling if the LLC Agent requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the LLC Agent), the LLC Agent shall (A) treat the GUC Disputed Claims Reserve as a discreet trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the Tax Code (sections 641 et seq.), and (B) to the extent permitted by applicable law, report consistently for state and local income tax purposes. In addition, pursuant to the Plan, all parties (including holders of Disputed General Unsecured Claims) shall report consistently with such treatment.

(d) Reserve Accounts for Disputed Claims Other than General Unsecured Claims. On and after the Effective Date, the LLC Agent shall hold in a separate reserve Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim (other than a General Unsecured Claim) the amount that such holder currently would be entitled to receive under this Plan if such Disputed Claim immediately becomes Allowed in full. All net earnings on such Cash shall be transferred to the Distribution LLC for the benefit of the holders of Allowed General Unsecured Claims. The reserve for Disputed Claims other than General Unsecured Claims will not be treated as a separate taxable entity for federal income tax purposes.

(e) Tort Claims. All Tort Claims are Disputed Claims. Any Tort Claim as to which a proof of claim was timely filed in the Chapter 11 Cases shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Confirmation Date or, if no such action was pending on the Confirmation Date, in any administrative or judicial tribunal of appropriate jurisdiction. Any Tort Claim determined and liquidated pursuant to a judgment obtained in accordance with this Section [7.1(d)] and applicable non-bankruptcy law that is no longer subject to appeal or other review shall be deemed to be an Allowed General Unsecured Claim in such liquidated amount and satisfied in accordance with the Plan. Nothing contained in this Section [7.1(d)] shall constitute or be deemed a waiver of any claim, right or cause of action that the Debtors may have against any person in connection with or arising out of any Tort Claim, including, without limitation, any rights under section 157(b) of title 28 of the United States Code.

7.2 Estimation of Claims. The LLC Agent or, if applicable and subject to the terms of the relevant Winning Bid, the appropriate Reorganized Debtor(s) may, at any time, request the Bankruptcy Court to estimate any Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors have previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including during litigation concerning any objection to such Claim. In the event the Bankruptcy Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on the Allowed Amount of such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the Allowed amount of such Claim, the LLC Agent or the Reorganized Debtor(s) may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

7.3 Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim, or portion thereof, becomes an Allowed Claim, the LLC Agent shall, as soon as practicable following the date on which the Disputed Claim, or portion thereof, becomes an Allowed Claim, distribute to the holder of such Allowed Claim the amount, without any interest thereon, that such holder would have received pursuant to article [IV] of the Plan had the Disputed Claim, or portion thereof, always been an

Allowed Claim, which amount shall not exceed the amount of Cash reserved on account of such Claim.

7.4 No Distribution in Respect of Disallowed Claims. To the extent that all or a portion of a Disputed Claim is disallowed, the holder of such Claim shall not receive any distribution on account of the portion of such Claim that is disallowed, and any Cash or LLC Interests reserved on account of the disallowed portion of such Claim shall be available for the LLC Agent to distribute to holders of Allowed Claims, as appropriate, pursuant to the terms of the Plan.

Article VIII.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Executory Contracts and Unexpired Leases.

(a) Transfer to Distribution LLC. On the Effective Date (unless such deadline is extended by the terms of the Winning Bid(s)), any executory contracts or unexpired leases not rejected or assumed and assigned in connection with a sale of assets and/or New Stock or otherwise shall be transferred to the Distribution LLC as part of the Remaining For-Sale Property.

(b) Assumption. Certain executory contracts and/or unexpired leases may be selected by the Winning Bidder(s) and in accordance with the Winning Bid(s) to be assumed by the appropriate Debtor(s) and assigned to the Winning Bidder(s) or the appropriate Reorganized Debtor(s). Any executory contracts and/or unexpired leases so selected shall be assumed and assigned accordingly on the relevant Closing Date or as otherwise provided by the terms of the Winning Bid(s). In the case of the Recapitalization Proposal, its proponents will identify by November 21, 2003, those executory contracts or unexpired leases they wish to assume for the benefit of the Reorganized Debtors. The Debtors understand that the proponents of the Recapitalization Proposal intend to assume provider agreements with Medicare, Medicaid and any similar state or federal programs and to assume third-party payor agreements.

(c) Pine Grove Remaining Assets and Non-auctioned Assets. As part of its authority to liquidate the Pine Grove Remaining Assets and the Non-auctioned Assets, the LLC Agent shall have sole discretion whether to assume and assign or reject any remaining executory contracts or unexpired leases of Pine Grove or any executory contracts or unexpired leases that have not been assumed or rejected pursuant to section [8.1(b)] or otherwise. Notwithstanding the foregoing, any such executory contracts or unexpired leases that have not been assumed by the close of ninety (90) days after the Effective Date shall be deemed rejected.

8.2 Cure of Defaults. Except as otherwise agreed by the parties or provided pursuant to a Winning Bid, the LLC Agent shall cure all undisputed defaults under any assumed executory contract or unexpired lease in accordance with section 365(b)(1) of

the Bankruptcy Code. All disputed defaults that are required to be cured by section 365(b) of the Bankruptcy Code shall be cured either within thirty (30) days after the entry of a Final Order determining the amount, if any, of the liability with respect thereto, or as may otherwise be agreed to by the parties.

8.3 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court and served upon the Debtors or, on and after the Effective Date, the Reorganized Debtors and the LLC Agent, by no later than thirty (30) days after the effective date of rejection. Any Claims not filed within such applicable time periods will be forever barred from assertion against the Debtors and their estates, the Distribution LLC or the Reorganized Debtors and their property.

8.4 Compensation and Benefit Programs. Unless previously terminated or otherwise provided for in this Plan, all savings, retirement, health care, severance, performance-based cash incentive, retention, employee welfare benefit, life insurance, disability and similar plans or agreements, all directors and officers liability and other insurance and all workers compensation programs are treated as executory contracts under the Plan and, as executory contracts, shall be subject to this article 8.

8.5 Retiree Benefits. The Debtors have never funded nor maintained any retiree benefit plans, funds or programs, as defined in section 1114 of the Bankruptcy Code, for the purpose of providing or reimbursing payments for retired employees and their spouses and dependents for medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability, or death under any plan, fund, or program (through the purchase of insurance or otherwise). Any such retiree benefit plans established by the Debtors prior to the Commencement Date were discretionary and never funded, and, accordingly, no such payments will be, or are required to be, made pursuant to section 1129(a)(13) of the Bankruptcy Code.

Article IX.

EFFECT OF CONFIRMATION OF PLAN

9.1 Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the dissolution of the Debtors.

9.2 Injunction. On and after the Confirmation Date, unless otherwise provided in this Plan, all Persons, other than the LLC Agent, are permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of or respecting any claim, debt, right or cause of action of the Debtors.

Article X.

EFFECTIVENESS OF THE PLAN

10.1 Conditions Precedent to the Effective Date. The following are conditions precedent to the Effective Date of the Plan:

(a) The Bankruptcy Court shall have entered the Confirmation Order, which shall be in form and substance satisfactory to the Debtors and the Investors;

(b) No stay of the Confirmation Order shall then be in effect at the time the other conditions set forth in this section [10.1] are satisfied or waived;

(c) A Final Order shall have been entered approving the Bidding Procedures;

(d) As estimated jointly by the Debtors and the Committee, and the Bankruptcy Court if they do not agree, the aggregate amount of all Allowed General Unsecured Claims, excluding any unsecured claim of NCFE, to share in distributions from the Distribution LLC shall be no more than $60,000,000 but only if the Recapitalization Proposal is the Winning Bid;

(e) All authorizations, consents, and regulatory approvals required (if any) in connection with the effectiveness of the Plan shall have been obtained;

(f) All documents, instruments and agreements, in form and substance satisfactory to the Debtors, provided for under or necessary to implement the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby;

(g) The Distribution LLC shall have been established and all the relevant documents with respect thereto executed;

(h) In the event the Winning Bid is not the Recapitalization Proposal, the Medical Malpractice Claimants Trust shall have been established and funded by the Professional Liability Insurers and all the relevant documents with respect thereto executed;

(i) In the event that the Recapitalization Proposal is the Winning Bid, the Reorganized Articles of Incorporation and Reorganized By-laws shall have been adopted by each of the Debtors other than Pine Grove;

(j) If the Winning Bid is the Recapitalization Proposal, all conditions to closing shall have occurred or been waived by the party benefiting thereby. If the Winning Bid is not the Recapitalization Proposal, all conditions to closing relating to the Sale of assets and/or New Stock of at least two (2) of the Debtors shall have occurred or been waived by the party benefiting thereby; and

(k) The Debtors shall have filed a Notice of Effectiveness with the Bankruptcy Court and served a copy of the same on the counsel for the Committee, by electronic mail or facsimile.

10.2 Waiver of Conditions. The Debtors may waive, by a writing signed by an authorized representative of the Debtors and filed with the Bankruptcy Court, one or more of the conditions precedent to effectiveness of the Plan set forth in section [10.1] of the Plan, other than the condition set forth in section 10.1(e), which only may be waived by the Committee.

10.3 Effect of Failure of Conditions. In the event that one or more of the conditions specified in section [10.1] of the Plan have not occurred, or been waived pursuant to section 10.2, on or before the date that is 180 days after the Confirmation Date, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other Person or Entity or to prejudice in any manner the rights of the Debtors or any Person or Entity in any further proceedings involving the Debtors.

Article XI.

RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To hear and determine any motions for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases, and the allowance of any Claims resulting therefrom;

(b) To determine any and all adversary proceedings, applications, and contested matters that have been or may be commenced;

(c) To hear and determine any objections to or requests to estimate any Claims;

(d) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(e) To issue such orders in aid of execution of the Plan to the extent authorized by section 1142 of the Bankruptcy Code;

(f) To consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in the Plan or any order of the Bankruptcy Court, including, without limitation, the Confirmation Order or in the Plan;

(g) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code;

(h) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(i) To recover all assets of the Debtors and property of the Debtors' estates, wherever located;

(j) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Commencement Date through the closing of the Chapter 11 Cases);

(k) To hear any other matter consistent with the provisions of the Bankruptcy Code; and

(l) To enter a final decree closing the Chapter 11 Cases.

Article XII.

MISCELLANEOUS PROVISIONS

12.1 Releases and Exculpations. Except as otherwise expressly provided herein, the Debtors shall release their officers, directors, employees and shareholders (the "Released Parties") from any and all Claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the Effective Date or thereafter arising, in law, at equity, or otherwise, that any of the Debtors would have been legally entitled to assert in its own right (whether individually or collectively) or that any holder of a claim or equity interest or other person or entity would have been legally entitled to assert on behalf of any of the Debtors or any of their estates, based in whole or in part upon any act or omission, transaction, agreement, event, or other occurrence taking place before or on the Effective Date, and, without limiting the generality of the foregoing, to the extent permitted by law, waive all rights under any statutory provision purporting to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise, including, but not limited to, any rights under section 1542 of the California Civil Code. The Released Parties include, without limitation, Paul R. Tuft, Erich Mounce, Steven

Dietlin, Donna Talbot, Susan Engelhard, David Denslaw, Alan Tuft, Casey Fatch, Enrique Beckmann, Ermanno Mariani, Cindy Sehr, Karen Dale and Janine Finck-Boyle. This release shall include a release of any and all Claims for loans made to the Released Parties, provided that this release shall not include a release of Claims against Mel Redman or other individuals who were officers or directors of the Debtors prior to, but at no point after, the commencement of the Debtors' chapter 11 cases. Further, holders of Claims who vote in favor of the Plan and accept distributions under the Plan shall be deemed to have released any direct Claims related to the Debtors that they might have against the Released Parties (the "Releasing Creditors"). The release by the Debtors and the Releasing Creditors of the Released Parties shall also effectuate a release by the Debtors and Releasing Creditors of Claims against third parties but only to the extent that any such third party has a Claim for indemnification against the Released Parties for contribution and/or indemnification. Thus, by way of example only, if the Debtors have a Claim against a third party for $100, but that third party has an indemnification or contribution claim against any or all of the Released Parties for $50, the Debtors' claims against the third party shall be deemed released to the extent of $50.

Notwithstanding anything to the contrary provided herein, the foregoing release by the Debtors and Releasing Creditors of the Released Parties shall not release any third party, including, but not limited to, any insurance provider, from liability respecting any released Claim. In the event the continued liability of such a third-party is dependent upon the continued existence of a Claim to be released, then there shall be no release of such Claim; but, rather, the Debtor(s) or the Releasing Creditor, as the case may be, shall be deemed to have covenanted (i) not to sue a Released Party or to collect on such Claim from the Released Party, (ii) to collect only from the third party on account of such Claim, and (iii) to reduce the amount to be collected from such third party to the extent such third party has a right of contribution and/or indemnification against the Released Party.

The Debtors' officers and directors who were officers and directors both prior to and after the Commencement Date, shall be deemed to waive and release any and all prepetition Claims against the Debtors, other than indemnity Claims for Claims asserted against them as officers and directors of the Debtors, including the benefits of insurance. Further, the Debtors' officers, directors, employees, advisors, professionals, lawyers, bankers, financial advisors, representatives, agents, shareholders and professionals for the Recapitalization Proposal, shall have no liability for any act or omission in connection with the Chapter 11 Cases, the commencement of the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

12.2 Discharge. The rights afforded in the Plan and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued thereon from and after the Commencement Date, against any of the Debtors or their estates, assets, properties or interests in property. Any

Reorganized Debtor shall not be responsible for any obligations of the Debtors or their estates except those expressly assumed by such Reorganized Debtor in accordance with the terms of this Plan and/or a Winning Bid.

12.3 Effectuating Documents and Further Transactions. Upon entry of the Confirmation Order, each of the Debtors shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

12.4 Corporate Action. On the Effective Date, all matters provided for under or contemplated by the Plan that would otherwise require approval of the directors or shareholders of the Debtors shall be deemed to have occurred (without having to have obtained such approval) and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of the states in which the Debtors are incorporated, without any requirement of action by the stockholders or by the directors of the Debtors.

12.5 Exemption from Transfer Taxes. Pursuant to section 1146(c) of the Bankruptcy Code, the assignment or surrender of any lease or sublease, or the delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by the Plan shall not be subject to any stamp, real estate transfer, mortgage recording, sales, use or other similar tax.

12.6 Post-Confirmation Date Fees and Expenses. From and after the Confirmation Date, the LLC Agent shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter employed in connection with the implementation and consummation of the Plan, the reconciliation of Claims, the prosecution of avoidance actions, or any other matters as to which such professionals are employed.

12.7 Payment of Statutory Fees. All fees payable pursuant to chapter 123 of title 28, United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date by the LLC Agent. Any statutory fees accruing after the Confirmation Date shall be paid by the LLC Agent.

12.8 Modification of Plan. The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed

modification does not materially and adversely change the treatment of the Claim of such holder.

12.9 Withdrawal or Revocation. The Debtors may withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, or if the Confirmation Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any other person in any further proceedings involving the Debtors.

12.10 Binding Effect. Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against or Equity Interest in the Debtors and their respective successors and assigns, whether or not the Claim of such holder is impaired under the Plan and whether or not such holder has accepted the Plan. The rights, benefits and obligations of any entity named or referred to in the Plan, whose actions may be required to effectuate the term of the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity (including, but not limited to, any trustee appointed for the Debtors under chapters 7 or 11 of the Bankruptcy Code).

12.11 Notices. Any notices or requests by parties in interest under or in connection with the Plan shall be in writing and served either by (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

DOCTORS COMMUNITY HOSPITAL CORPORATION
6730 N. Scottsdale Road, Suite 290
Scottsdale, Arizona 85253
Attn: President

LLC Agent
(Name and Address
to be included in
Notice of Effective Date)

Reorganized Debtor/Winning Bidder
(Name and Address
to be included in
Notice of Effective Date)

with copies to the Debtors' bankruptcy counsel:

WEIL, GOTSHAL & MANGES LLP
Attorneys for the Debtors and
Debtors-in-Possession
767 Fifth Avenue
New York, New York 10153
(212) 310-8000
Attn: Deryck A. Palmer, Esq.

100 Federal Street, 34th Floor
Boston, Massachusetts 02110
(617) 772-8300
Attn: Andrew M. Troop, Esq.

12.12 Severability. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtors and the Committee, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms. Notwithstanding the foregoing, the provisions in the Plan relating to releases and exculpations are not severable from the remainder of the Plan.

12.13 Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the federal laws of the United States and, to the extent there is no applicable federal law, the domestic laws of the District of Columbia, without giving effect to the principles of conflicts of law thereof.

12.14 Plan Supplement. The documents comprising the Plan Supplement shall be filed with the clerk of the Bankruptcy Court at [10] days prior to the Confirmation Hearing. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to the Debtors' bankruptcy counsel in accordance with section [12.11] of the Plan.

12.15 Headings. Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

12.16 Exhibits/Schedules. All Exhibits and Schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full herein.

12.17 Plan Controls Disclosure Statement; Confirmation Order Controls Plan. To the extent the Plan is inconsistent with the Disclosure Statement, the provisions of the Plan shall be controlling. To the extent the Confirmation Order is inconsistent with the Plan, the provisions of the Confirmation Order shall be controlling.

12.18 Filing of Additional Documents. On or before substantial consummation of the Plan, the Debtors shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Dated: Washington, D.C.
October 24, 2003

DOCTORS COMMUNITY HEALTHCARE CORPORATION
a Delaware Corporation
(for itself and on behalf of each of the Debtors)

By:
Name:
Title:

EXHIBIT 2

[Order of the Bankruptcy Court, dated [_____, 2003], approving this Disclosure Statement]

TO BE PROVIDED WHEN ENTERED

EXHIBIT 3

[Ballot Tabulation and Solicitation Procedures, as approved by the order of the Bankruptcy Court, dated _____, 2003]

TO BE PROVIDED WHEN ENTERED

EXHIBIT 4

[Bidding Procedures]

EXHIBIT 4

Bidding Procedures

Set forth below are the bidding procedures (the "**Bidding Procedures**") to be employed with respect to the prospective sales by Doctors Community Healthcare Corporation, Greater Southeast Community Hospital Corporation I, PACIN Healthcare-Hadley Memorial Hospital Corporation, Michael Reese Medical Center Corporation, and Pacifica Hospital of the Valley Corporation of Sun Valley as debtors and debtors in possession (each, a "**Seller**" and collectively, the "**Sellers**), of all or substantially all of the stock and/or assets of the Sellers (individually or collectively, the "**Assets**"). The Sellers shall seek the entry of an order from the Bankruptcy Court (as defined hereinafter) authorizing and approving the Sale (as defined hereinafter) to the Stalking Horse Bidders (as defined hereinafter) or to one or more other Qualified Auction Bidders (as defined hereinafter), which the Sellers (by and through their independent director), after consultation with the official committee of unsecured creditors (the "**Creditors' Committee**") appointed in the Sellers' chapter 11 cases pending before the United States Bankruptcy Court for the District of Columbia (the **"Bankruptcy Court"**) and representatives of National Century Financial Enterprises, Inc and its affiliates ("**NCFE**"), may determine to have made the best offer.

Assets to be Sold

Each Seller is offering its Assets for sale in one or more transactions (the "**Sale**"). Bids for the Assets of a Seller may be combined with bids for the Assets of one or more other Sellers. The Sale shall be consummated through, and in connection with, confirmation of a joint plan of reorganization for the Sellers in accordance with the provisions of chapter 11 of title 11 of the United States Code (the **"Bankruptcy Code"**).

The Bidding Process -- Generally

In general, and subject to the details and terms contained in these **Bidding Procedures**, Sellers[1] and their advisors shall (i) determine whether any person is a Potential Bidder (as defined hereinafter) or a Qualified Auction Bidder, (ii) receive offers from Qualified Auction Bidders, (iii) conduct the Auction and compare Qualified Auction Bids (as defined hereinafter) against each other, including the Stalking Horse Bid, and (iv) select, after consultation with the Creditors' Committee and NCFE, the Winning Bid(s).

---

[1] Notwithstanding anything to the contrary contained herein, reference to the Seller(s) making any decision or determination, including, without limitation, exercising business judgment, means and refers to the Seller(s) acting by and through its(their) independent director.

Any person who wishes to participate in the Sale must be a Potential Bidder. In addition, a Potential Bidder must be a Qualified Auction Bidder to participate in the Auction.

Neither Sellers nor their representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Potential Bidder. Sellers, after consultation with the Creditors' Committee and NCFE, shall have the right to adopt such other rules for the Bidding Procedures (including rules that may depart from those set forth herein such as, by way of example only and not limitation, deadlines and bidding increments), which rules, in the opinion of Sellers, will better promote the goals of the Bidding Procedures.

Please note that there is no requirement that a Qualified Auction Bid (as defined hereinafter) include more or less Assets than are covered by the Form Agreement (as defined hereinafter). Sellers, after consultation with the Creditors' Committee and NCFE, reserve the right to determine (i) the value of any Qualified Auction Bid, and (ii) whether any Qualified Auction Bid (either by itself or in connection with one or more additional Qualified Auction Bids provides overall value to Sellers that is equal to, or in excess of, any other Qualified Auction Bid(s), including the Stalking Horse Bid. Sellers' determination in this regard may include an analysis of the value (whether positive or negative) of any Assets that are included in or excluded from any Qualified Auction Bid, the existence or absence of any escrow or indemnity, and consideration of the Break-Up Fee (as defined hereinafter), if applicable. Sellers, after consultation with the Creditors' Committee and NCFE, may choose to disregard bids that are conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder. Sellers, after consultation with the Creditors' Committee and NCFE, reserve the right to reject all bids, if the value is determined, in the Sellers' sole and absolute discretion, to be insufficient for the Assets.

A form of asset purchase agreement regarding the Assets (the "**Form Agreement**") has been provided, and upon request will be provided, by Cain Brothers & Company, LLC to Potential Bidders.

Also, please note that, notwithstanding anything to the contrary contained in these Bidding Procedures, creditors will be able to credit bid for those Assets in which they have a valid, perfected and non-avoidable security interest in accordance with the provisions of section 363(k) of the Bankruptcy Code, and the provisions of these Bidding Procedures inconsistent with the concept of a credit bid shall not be applicable to any such bid; provided, however, that any such creditor shall be required to demonstrate to the satisfaction of the Sellers, after consultation with the Creditors' Committee and NCFE, (a) that it holds a valid, perfected and non-avoidable security interest in the Assets on which such creditor is bidding, and (b) the validity and amount of its claim against the Seller(s) secured by that security interest. Without limiting the generality of the foregoing, the provisions regarding the financial qualification of a bidder and the posting of a deposit shall not apply to any creditor making a credit bid for Assets but only to the

extent that its bid does not exceed the amount of its claim secured by the assets on which it is bidding.

To protect the estates and its creditors from increased administrative claims and financial exposure, the proponents of the Stalking Horse Bid and the Debtors agree to maintain ordering and payment of inventory, supplies, capital expenditures and all other expenditures, collection of accounts receivable and payment of accounts payable and of all other administrative expenses consistent with the Debtors' historic business requirements (taking into account any mandated regulatory requirements that must be performed pending selection of the Winning Bidder), between the date of submission of the proposal and the effective date of a plan of reorganization.

Participation Requirements -- Generally

Unless otherwise ordered by the Bankruptcy Court or determined by Sellers, each person interested in participating in the Sale must deliver (unless previously delivered) to Sellers:

1. An executed confidentiality agreement in substantially similar form to that attached hereto as Annex 1; and

2. Current audited financial statements of the Potential Bidder, or, if the Potential Bidder is an entity formed for the purpose of acquiring the Assets, current audited financial statements of the equity holder(s) of the Potential Bidder, or such other form of financial disclosure acceptable to Sellers and their advisors, after consultation with the Creditors' Committee and NCFE, demonstrating such Potential Bidder's ability to close a proposed transaction.

Each person that delivers the documents described in subparagraphs (1) and (2) is a "**Potential Bidder**" if Sellers, after consultation with the Creditors' Committee and NCFE, determine it is reasonably likely (based on financial information submitted by the person, the availability of financing, experience and other considerations deemed relevant by Sellers, after consultation with the Creditors' Committee and NCFE) that that person will submit (or has submitted) a bona fide offer and will be able to consummate the purchase of the Assets if selected as a Winning Bidder.

Due Diligence

Each Seller may afford any Potential Bidder the opportunity to conduct reasonable due diligence of the Assets with the assistance of the Seller's employees. Each Seller will designate an employee or other representatives to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders. The Sellers shall not be obligated to furnish any information to a Potential Bidder after the Qualified Auction Bid Deadline (as defined hereinafter).

No Seller or any of its respective representatives are obligated to furnish any information to any person who is not a Potential Bidder. The Sellers are not responsible for, and will bear no liability with respect to, any information obtained by Potential Bidders in connection with the sale of the Assets.

"As Is, Where Is"

The Sale of the Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by Sellers, their agents or their estates, except to the extent set forth in the final, duly-executed agreement of the Winning Bidder as accepted by the applicable Seller(s) and approved by final order of the Bankruptcy Court. Except as otherwise provided in such agreement(s), all of Sellers' right, title and interest in and to the Assets subject to the Winning Bid shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively, the "**Interests**") in accordance with sections 363, 365, 1123, 1129 and 1141 of the Bankruptcy Code, with such Interests, if any, to attach to the net proceeds of the Sale of the Assets. Without limiting the generality of the foregoing, in connection with the Stalking Horse Bid, the Sellers' Assets will be vested in reorganized entities free and clear of Interests, except as otherwise provided in the Stalking Horse Bid.

Except as otherwise expressly provided in these Bidding Procedures or, with respect to the Winning Bidder, as provided in the terms of the final, duly-executed agreement(s) of the Winning Bidder as accepted by the applicable Seller(s) and approved by final order of the Bankruptcy Court, each Potential Bidder, and each Qualified Auction Bidder, including the Stalking Horse Bidder, shall be deemed to acknowledge and represent that (a) it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, (b) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and (c) it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection therewith or the Auction.

Submission of Qualified Auction Bids

As set forth below, the Sellers shall select the Winning Bid at the Auction. In order to participate in the Auction, a party must be a Qualified Auction Bidder. A **"Qualified Auction Bidder"** is a Potential Bidder that qualifies as a Potential Bidder on or before 5:00 p.m. (Prevailing Eastern Time) on November 20, 2003 and delivers a bid that satisfies the following:

i. The bid is submitted on or before 5:00 p.m. (Prevailing Eastern Time) on November 21, 2003 in accordance with the provisions set

forth below under the paragraph entitled **Qualified Auction Bid Deadline**. Once a Qualified Auction Bid is submitted, it may not be withdrawn absent an Order of the Bankruptcy Court.

ii. The bid is made upon terms and conditions substantially similar to those contained in the Form Agreement (other than economic terms such as purchase price), and, in any event, no less favorable to the Sellers' estates, and must consist of a blacklined asset purchase agreement marked to reflect any modification from the Form Agreement, including: (a) price, (b) contracts and liabilities to be assumed, (c) liabilities not to be assumed, and (d) the extent to which a bidder is invoking its credit bid rights, if any, pursuant to section 363(k) of the Bankruptcy Code (the "**Marked Agreement**").

iii. The Marked Agreement is not conditioned on the outcome of unperformed due diligence by the bidder; provided, that a bid may be subject to the confirmation of the accuracy and completeness of specified representations and warranties in all material respects at the closing of the sale, or the satisfaction of specified conditions in all material respects at the closing of the sale. No such conditions imposed by a bidder shall be materially more burdensome or unfavorable to the Sellers' estates than the conditions set forth in the Form Agreement.

iv. The Marked Agreement is accompanied by a letter affirmatively (a) stating that the bidder's offer is irrevocable until the designated Assets are sold to a Winning Bidder pursuant to a Court order and such Winning Bidder has closed on the acquisition of the designated Assets, (b) setting forth the identity of the bidder and the contact information for such bidder, (c) stating that the bidder offers to acquire the designated Assets upon the terms and conditions set forth in the Marked Agreement, and (d) summarizing the proposed consideration the bidder proposes to pay under the Marked Agreement (i.e. cash, assumed liabilities and assets to be contributed by the bidder for the benefit of the Sellers' estates).

v. The bid is accompanied by a good faith deposit (the "**Good Faith Deposit**") in the form of a certified check (or other form acceptable to Sellers in their sole discretion) payable to the order of Sellers (or such other party as Sellers may determine) in an amount equal to $250,000 per facility to which such bid relates. Good Faith Deposits will be due by 5:00 p.m. (Prevailing Eastern Time) on November 21, 2003.

vi. The bid is accompanied by written evidence of a commitment for financing or other evidence of the ability to consummate the Sale satisfactory to Sellers, in their sole discretion, after consultation with the Creditors' Committee and NCFE, with appropriate contact information for such financing sources.

vii. The bid, by itself or in combination with other bids, including hypothetical bids equal to the liquidation value of Assets, exceeds the value of the Stalking Horse Bid by the amount of the Break-Up Fee plus, in the aggregate, $200,000.

No later than five (5) business days after a Potential Bidder delivers all of the materials required by subparagraphs (i) through (vi) above, Sellers shall determine after consultation with the Creditors' Committee and NCFE, and shall notify the Potential Bidder, whether the bid submitted by the Potential Bidder has satisfied the foregoing requirements, and the Potential Bidder is accordingly a Qualified Auction Bidder. A Qualified Auction Bidder's qualifying bid is referred to herein as a **"Qualified Auction Bid."** Notwithstanding the foregoing, the Sellers, after consultation with the Creditors' Committee and NCFE, retain discretion to designate a bidder as a Qualified Auction Bidder and a bid as a Qualified Auction Bid even though the requirements set forth above have not been met.

Qualified Auction Bid Deadline

A Potential Bidder who desires to make a bid to be considered as a Qualified Auction Bid shall deliver a written copy of its bid to (1) Deryck A. Palmer, Esq., Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York, 10153, (2) Andrew M. Troop, Esq., Weil, Gotshal & Manges LLP, 100 Federal Street, 34th Floor, Boston, Massachusetts 02110; (3) Thomas M. Barry, Cain Brothers & Company, LLC, 425 Fifth Avenue, 25th Floor, New York, New York 10018; and (4) Thomas M. Reardon, Esq., Greenberg Traurig LLP, One International Place, 3rd Floor, Boston, Massachusetts 02110, not later than 5:00 p.m. (Prevailing Eastern Time) on November 21, 2003 (the "**Qualified Auction Bid Deadline**").

Designation as the Stalking Horse Bid

The reorganization proposal submitted by, among others, certain members of the Debtors' Management, on October 16, 2003, relating to all of the Sellers, shall be designated as the "**Stalking Horse Bid**", provided, however, that the following requirements are met:

1. Good Faith Deposit of $1 million is received by 5:00 p.m. (Prevailing Eastern Time) on October 29, 2003; and

2. The bid is irrevocable and the Good Faith Deposit is non-refundable until the closing of the Sale of the Assets to a different party.

The Stalking Horse Bid shall be considered a Qualified Auction Bid.

Bid Protection for the Stalking Horse Bidders

Recognizing the expenditure of time, energy and resources that will be incurred by the proponents of the Stalking Horse Bid (the "**Stalking Horse Bidders**"), Sellers will provide certain bidding protections to the Stalking Horse Bidders. Specifically, Sellers, having determined that the Stalking Horse Bid will further the goals of the Bidding Procedures by setting a floor which all other potential bids must exceed, will agree to pay to the Stalking Horse Bidders, a topping fee equal to two percent (2%) of the cash contribution value of the Stalking Horse Bid, not to exceed $800,000 (the "**Break-Up Fee**").

The Break-Up Fee shall be paid to the Stalking Horse Bidders if for any reason the Assets are sold to a party other than the Stalking Horse Bidder, other than a failure of the Stalking Horse Bidders to perform in strict compliance with the terms of the Stalking Horse Bid if it is the Winning Bid or the Stalking Horse Bidders fail to remain in compliance with the conditions set forth in the section above entitled **Designation of the Stalking Horse Bid**.

Auction

A live auction (the "**Auction**") shall commence on **November 24, 2003** at **10:00 a.m.** (Prevailing Eastern Time) and conclude on or before **November 26, 2003** and shall be held at the offices of Weil, Gotshal & Manges LLP, 1501 K Street, N.W., Suite 100, Washington, D.C. 20005. On or before **October 24, 2003**, Sellers shall deliver to all Potential Bidders a copy of the Stalking Horse Bid and notify all Potential Bidders of the time and place of the Auction. Sellers shall also undertake such other notification and publication of the Auction that they, after consultation with the Creditors' Committee and NCFE, deem appropriate, including without limitation, publication in newspapers and contacting other potential purchasers who have not yet become Potential Bidders.

In conducting the Auction, Sellers may consider the liquidation value of any of the Assets as a Qualified Auction Bid.

The Auction will be held unless (i) the Sellers, after consultation with the Creditors' Committee and NCFE, determine that the Qualified Auction Bid(s) is (are) not better than the Stalking Horse Bid and (ii) the Sellers in the exercise of their business judgment, after consultation with the Creditors' Committee and NCFE, determine that an auction is not likely to produce a greater return for the Sellers' creditors than the Stalking Horse Bid.

During the Auction, bidding shall begin with the highest Qualified Auction Bid submitted for each facility and subsequently continue in minimum increments of at least $250,000 for each facility. At various times during the Auction, the

proponents of the Stalking Horse Bid shall be required to better the then best bids. Except as otherwise disclosed herein, Sellers, after consultation with the Creditors' Committee and NCFE, may conduct the Auction in the manner they determine will most likely result in the best or otherwise financially superior offer(s) for the Assets. With respect to any bid submitted at the Auction by the Stalking Horse Bidders, the consideration offered by such Stalking Horse Bidders shall be deemed to include the full amount of the Break-Up Fee.

Upon conclusion of the bidding, the Auction shall be closed, and Sellers, after consultation with the Creditors' Committee and NCFE, shall (i) immediately review each Qualified Auction Bid or Bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) on or before December 2, 2003 (a) identify the best offer(s) for the Assets (such offer or offers, individually and collectively, the "**Winning Bid(s)**" and the entity or entities submitting such Winning Bid, individually and collectively, the "**Winning Bidder(s)**"), which will provide the greatest amount of net value to Sellers' estates and creditors after payment of, among other things, the Break-Up Fee, if required, and (b) advise the Qualified Auction Bidders participating in the Auction of such determination. Each Winning Bidder shall increase its Good Faith Deposit to ten percent (10%) of the cash contribution value of its Winning Bid by 5:00 p.m. (Prevailing Eastern Time) on December 4, 2003.

Acceptance of Qualified Auction Bids

Sellers shall sell the Assets to the Winning Bidder(s) upon the approval of the Winning Bid(s) by the Bankruptcy Court after a hearing (the "**Sale Hearing**"). Sellers' presentation of a particular Qualified Auction Bid to the Bankruptcy Court for approval does not constitute Sellers' acceptance of the bid. Sellers will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing.

Sale Hearing

The Sale Hearing will be held before the Honorable S. Martin Teel, Jr. on or about **December 10, 2003 at 10:30 a.m.** (Prevailing Eastern Time) at the United States Bankruptcy Court for the District of Columbia, Room 4400, United States Courthouse, 333 Constitution Avenue N.W., Washington, D.C. 20001, but may be adjourned or rescheduled without any further notice other than an announcement at the Sale Hearing of the adjourned date and time. The Sale Hearing shall be held in connection with a hearing on confirmation of a plan of reorganization for the Sellers.

Following the Sale Hearing approving the sale of the Assets to the Winning Bidder, if such Winning Bidder fails to consummate an approved sale, the next best Qualified Auction Bid, as disclosed at the Sale Hearing (the "**Second-Best Bid**" and the bidder thereof, the "**Second-Best Bidder**"), shall be deemed to be the Winning Bid

and Sellers shall be authorized, but not required, to consummate the sale with the Qualified Auction Bidder submitting the Second-Best Bid without further order of the Bankruptcy Court.

Notwithstanding anything to the contrary contained herein, the Sellers will seek approval of the Sale to the Winning Bidder(s) only if a plan of reorganization also is confirmed.

Return of Good Faith Deposit

Good Faith Deposits of all Qualified Auction Bidders, other than the Good Faith Deposits of the Stalking Horse Bidders, the Second-Best Bidder(s) and the Winning Bidder(s), shall be held by Sellers' counsel, Weil, Gotshal & Manges LLP. The Good Faith Deposits of the Stalking Horse Bidders, the Second-Best Bidder(s) and the Winning Bidder(s) shall be held in an interest-bearing escrow account.

Other than the Good Faith Deposit(s) of the Winning Bidder(s) and the Second-Best Bidder(s), the Good Faith Deposits of the Stalking Horse Bidders and other Qualified Auction Bidders shall be returned on the first business day following the Sale Hearing. The Good Faith Deposits of the Winning Bidder(s) and Second-Best Bidder(s) shall be returned on the first business day following the closing of the Sale of the Assets for which such Winning Bidder(s) and Second-Best Bidder(s) cast, respectively, their Winning Bid(s) and Second-Best Bid(s).

Notwithstanding the foregoing, all Good Faith Deposits, other than the Good Faith Deposit(s) of the Winning Bidder(s), will be returned on or before December 30, 2003. Further, upon return of a Good Faith Deposit of a bidder, notwithstanding anything to the contrary herein, the bidder shall be released from its otherwise irrevocable bid.

If a Winning Bidder fails to consummate an approved Sale because of a breach or failure to perform on the part of such Winning Bidder, Sellers shall be entitled to retain the Good Faith Deposit of the Winning Bidder as part of its damages resulting from the breach or failure to perform by the Winning Bidder.

Modifications

Sellers, after consultation with the Creditors' Committee and NCFE, may (a) determine, which bids, if any, are the best or otherwise superior offer for the assets; and (b) reject at any time before entry of an order of the Bankruptcy Court approving a bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of Sellers, their estates and creditors. At or before the Sale Hearing, Sellers, after consultation with the Creditors'

Committee and NCFE, may impose such other terms and conditions as Sellers may determine to be in the best interests of Sellers' estates, their creditors and other parties in interest.

Notwithstanding anything to the contrary herein expressed or implied, the decisions to be made by the Sellers in connection with the process described above shall be made by its independent director, in his sole and absolute discretion, subject to Bankruptcy Court approval. Nothing herein shall prevent the Sellers from rejecting the Winning Bid(s) if the Sellers deem such bid(s) to be inadequate.

EXHIBIT 5

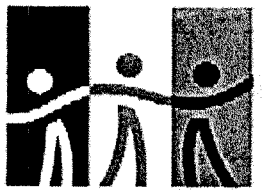
[Corporate Structure Chart]

Doctors Community Healthcare Corporation
Michael Reese Medical Center Corporation
Pacifica of the Valley Corporation
Pine Grove Hospital Corporation
Community Care Corporation
PACIN-Healthcare Hadley Memorial Hospital Corporation
Greater Southeast Community Hospital Corporation I
Southeast Pharmacy Corporation

EXHIBIT 5

EXHIBIT 6

[Preliminary Liquidation Analysis]



DOCTORS
COMMUNITY
HEALTHCARE CORPORATION

Preliminary Liquidation Analysis

October 2003

EXHIBIT 6

Table of Contents

I. Key Assumptions Summary

II. Preliminary Liquidation Analysis

III. Supporting Facility Schedules

IV. Exhibits
- A. Net Patient Accounts Receivable
- B. Due From 3rd Party Payors
- C. Schedule of Estimated Claims

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
ASSUMPTIONS

CATEGORY	ASSUMPTION	DESCRIPTION
General Assumptions		
Based on August 2003 Balance Sheet		
Time Period	4 months minimum	• Assumes that discharge or relocation of patients will take 4 months at Hadley, 3 months at Pacifica, 2 months at GSE and Reese and 0.5 months at Corporate. Facilities will remain the property of the estate for 4 months or until all patients are discharged or relocated.
Wind down	Full	• The time value of money has not been considered in this analysis.
Asset Assumptions		
Cash	100%	
Patient Accounts Receivable, net	24%-33%	Based Huron's experience, and considers the specific age of the accounts by payor . Estimates consider outsourcing fees and other variables associated with collecting the third party receivables in a liquidation scenario, which are estimated at 16% of the collectible amount.
Due From Third Party Payors	25%-35%	Based on discussions with management. Estimates consider collection rates, outsourcing fees and other variables associated with collecting the patient A/R in a liquidation scenario.
Supplies	5%-10%	Estimated to have minimal value in liquidation.
Intercompany Receivables	0%	Eliminated in consolidation.
Assets Held for Sale	$ -	Represents remaining assets (equipment, etc.) at Pine Grove, which are assumed to have no value.
Other Current Assets	0%-7%	Amounts owed from DC Alliance for Risk Sharing to GSE are assumed to be valued at $0, remaining assets are valued at a range of 0%-10%. The resulting overall liquidation value is estimated at 0%-7% of book value.
Property Plant and Equipment		
Land	177%-187%	Appraisals performed by CB Richard Ellis and Real Estate Counselors International, Inc. Liquidation values presume the property to be undeveloped and available for development to their highest and best use. Values do not contemplate environmental remediation costs, which are included in the wind down costs. See facility-specific analyses for additional information.
Buildings & Improvements	0%	Valued at $0, as the highest and best use of the property is assumed to be as undeveloped land.
Property & Equipment	16% of book value	Appraisals performed by Wellspring Valuation and reflect the "Orderly Liquidation Value" contained therein. Efforts have been made to reduce said value to eliminate the value associated with equipment that is known to be under capital lease. No assertion is made that all such equipment has been identified and eliminated from the value.
Investment in Subsidiaries	0%	Eliminated in consolidation
Other Assets	10%-30%	Reflects GSE's investment in the CCHP partnership which is estimated to have a liquidation value between 10% and 30%.
Claims Assumptions		
Administrative Claims		
Current Liabilities - Post Petition	$ 26,298,799	Per 8/31/03 MOR.
Professional Fees	$400K/month	
Trustee Fees	3% of proceeds	
Trustee Professional Fees	$ -	Included in professional fees, above.
Wind Down Costs	$85M to $101M	Per Closure Plan Summaries.
Priority Claims		
Priority Secured Debt (DIP Financing)	$ 3,000,000	Reflects the DIP facility balance as of 10/17/03. GSE is obligated for the entire amount in conjunction with the other Debtors. As such, the actual amount paid by GSE may be less than the amount contained herein.
Tax Claims	$ 4,303,824	Per 8/31/03 MOR.
From Statements and Schedules	$ 884,664	Assumed to be primarily salaries and related items.
Secured Claims	$ 34,230,346	Per 8/31/03 MOR.
Accrued Interest		See detail, Exhibit D.
NCFE Claims		See detail, Exhibit D.
General Unsecured Claims		See detail, Exhibit D.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
CONSOLIDATED

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 10,664,255	100%	100%	$ -	$ -	$ 10,664,255	$ 10,664,255	
Patient Accounts Receivable, net	68,396,806	33%	24%	-	-	22,830,708	16,417,316	1
Due From Third Party Payors	22,205,227	35%	25%	-	-	7,828,924	5,608,401	2
Supplies	5,517,088	10%	5%	-	-	551,709	275,854	
Intercompany Receivables	-	0%	0%	-	-	-	-	
Assets Held for Sale	7,482	0%	0%	-	-	-	-	3
Other Current Assets	25,812,833	7%	0%	-	-	1,831,283	-	
Total Current Assets	132,603,691	33%	25%	-	-	43,706,879	32,965,826	
Other Assets								
Property, Plant and Equipment, net:								
Land	13,876,585	187%	177%	-	-	25,908,055	24,509,650	4
Buildings & Improvements	33,621,255	0%	0%	-	-	-	-	
Property & Equipment	34,944,842	16%	16%	-	592,932	5,754,068	5,754,068	
	82,442,682	38%	37%	-	592,932	31,662,123	30,263,718	
Investment in Subs	-	0%	0%	-	-	-	-	
Other Assets	2,305,355	30%	10%	-	-	689,955	229,985	
Total Other Assets	84,748,037	0%	0%	-	592,932	32,352,078	30,493,703	
TOTAL ASSETS	**$ 217,351,728**	**35%**	**29%**	**$ -**	**$ 592,932**	**$ 76,058,957**	**$ 63,459,529**	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						26,298,799	26,298,799	
Professional Fees						1,600,000	2,400,000	
Trustee Fees						2,281,769	1,903,786	
Wind Down Costs						87,957,238	105,343,064	
Total Administrative Expenses						118,137,806	135,945,649	
Priority Claims								
Priority Secured Debt (DIP Financing)						3,000,000	3,000,000	
Tax Claims						4,303,824	4,303,824	
From Statements and Schedules						884,664	884,664	
Total Priority Claims						8,188,488	8,188,488	
Secured Claims								
Medline						15,433,333	15,433,333	
Healthcare REIT						18,797,013	18,797,013	
Total Secured Claims						34,230,346	34,230,346	
Net Assets Available for Distribution						**(84,497,683)**	**(114,904,953)**	

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
GREATER SOUTHEAST HOSPITAL

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 1,259,299	100%	100%	$ -	$ -	$ 1,259,299	$ 1,259,299	
Patient Accounts Receivable, net	34,725,301	27%	19%	-	-	9,408,156	6,692,483	1
Due From Third Party Payors	3,913,341	50%	40%	-	-	1,968,092	1,576,758	2
Supplies	2,013,023	10%	5%	-	-	201,302	100,651	
Intercompany Receivables	29,927,278	0%	0%	-	-	-	-	
Other Current Assets	11,468,278	3%	0%	-	-	396,828	-	3
Total Current Assets	83,306,520	16%	12%	-	-	13,233,677	9,629,191	
Other Assets								
Property, Plant and Equipment, net:								
Land	4,415,670	91%	83%	-	-	4,005,000	3,648,000	4,5
Buildings & Improvements	4,864,425	0%	0%	-	-	-	-	
Property & Equipment	12,625,277	13%	13%	-	64,300	1,664,700	1,664,700	6
	21,905,372	26%	24%	-	64,300	5,669,700	5,312,700	
Investment in Subs	-	0%	0%	-	-	-	-	
Other Assets	2,299,850	30%	10%	-	-	689,955	229,985	
Total Other Assets	24,205,222			-	64,300	6,359,655	5,542,685	
TOTAL ASSETS	$ 107,511,742	18%	14%	$ -	$ 64,300	$ 19,593,332	$ 15,171,876	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						7,849,579	7,849,579	
Trustee Fees						587,800	455,156	7
Wind Down Costs						32,660,291	38,660,291	8
Total Administrative Expenses						41,097,670	46,965,026	
Priority Claims								
Priority Secured Debt (DIP Financing)						3,000,000	3,000,000	9
Tax Claims						274,478	274,478	
From Statements and Schedules						376,735	376,735	
Total Priority Claims						3,651,213	3,651,213	
Net Assets Available for Distribution						(25,155,550)	(35,444,363)	

1 See Exhibit A.

2 See Exhibit B.

3 Amounts owed from DC Alliance for Risk Sharing have a book value of approximately $7.5M. In a liquidation scenario, it is assumed that this asset has no value. All remaining assets are valued at a range of 0%-10%.

4 Appraisal performed by CB Richard Ellis indicates that the land value, in a non-liquidation scenario is $7,140,000. To attain the high and low liquidation values, the non-liquidation value was discounted 25% and 30%, respectively, based on information received from the appraiser. The liquidation values were further reduced by approximately $3 per square foot to reflect the cost of demolition. The values presented above do not contemplate environmental remediation costs, which are included in the wind down costs.

5 The value of the land presented herein reflects the attainable value at the time of sale. However, it is likely that a sale process will take 6 to 12 months, during which time property insurance, security, taxes and other costs will accrue, further reducing the proceeds from the sale.

6 Appraisal performed by Wellspring Valuation and reflects the "Orderly Liquidation Value" contained therein. The adjustment for encumbered assets eliminates the value of equipment known to be under capital lease.

7 Represents 3% of the liquidation value of the assets, above.

8 Please see Closure Plan Summary.

9 Reflects the DIP facility balance as of 10/17/03. GSE is obligated for the entire amount in conjunction with the other Debtors. As such, the actual amount paid by GSE may be less than the amount contained herein.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
MICHAEL REESE MEDICAL CENTER CORPORATION

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 836,438	100%	100%	$ -	$ -	$ 836,438	$ 836,438	
Patient Accounts Receivable, net	17,633,828	40%	28%	-	-	7,090,031	5,010,935	1
Due From Third Party Payors	5,892,460	23%	13%	-	-	1,367,194	777,948	2
Supplies	2,530,682	10%	5%	-	-	253,068	126,534	
Intercompany Receivables	2,646,991	0%	0%	-	-	-	-	
Other Current Assets	3,159,680	10%	0%	-	-	315,968	-	
Total Current Assets	32,700,079	30%	21%	-	-	9,862,699	6,751,854	
Other Assets								
Property, Plant and Equipment, net:								
Land	5,054,717	356%	342%	-	-	18,000,000	17,300,000	3,4
Buildings & Improvements	10,189,122	0%	0%	-	-	-	-	
Property & Equipment	17,955,843	15%	15%	-	245,378	2,672,622	2,672,622	5
	33,199,682	62%	60%	-	245,378	20,672,622	19,972,622	
Investment in Subs	-	0%	0%	-	-	-	-	
Other Assets	5,505	0%	0%	-	-	-	-	
Total Other Assets	33,205,187			-	245,378	20,672,622	19,972,622	
TOTAL ASSETS	**$ 65,905,266**	**46%**	**41%**	**$ -**	**$ 245,378**	**$ 30,535,321**	**$ 26,724,476**	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						10,117,605	10,117,605	
Trustee Fees						916,060	801,734	6
Wind Down Costs						34,733,811	41,733,811	7
Total Administrative Expenses						45,767,476	52,653,151	
Priority Claims								
Priority Secured Debt (DIP Financing)						-	-	
Tax Claims						2,819,422	2,819,422	
From Statements and Schedules						104,220	104,220	
Total Priority Claims						2,923,642	2,923,642	
Secured Claims								
Medline						11,433,333	11,433,333	8
Total Secured Claims						11,433,333	11,433,333	
Net Assets Available for Distribution						**(29,589,130)**	**(40,285,650)**	

1 See Exhibit A.

2 See Exhibit B.

3 Appraisal performed by Real Estate Counselors International, Inc. indicates that the liquidation value of the land is $24,000,000. To develop the high and low liquidation values, this value was then reduced by $6.0M and $6.7M, respectively, to reflect the appraisers estimates of the demolition costs. The values presented above do not contemplate environmental remediation costs, which are included in the wind down costs.

4 The value of the land presented herein reflects the attainable value at the time of sale. However, it is likely that a sale process will take 12 to 24 months, during which time property insurance, security, taxes and other costs will accrue, further reducing the proceeds from the sale.

5 Appraisal performed by Wellspring Valuation and reflects the "Orderly Liquidation Value" contained therein. The adjustment for encumbered assets eliminates the value of equipment known to be under capital lease.

6 Represents 3% of the liquidation value of the assets, above.

7 Please see Closure Plan Summary.

8 Includes $1.7 million of pre-petition accounts payables for supplies that is potentially secured under the terms of the contract with Medline.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
HADLEY MEMORIAL HOSPITAL

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 528,560	100%	100%	$ -	$ -	$ 528,560	$ 528,560	
Patient Accounts Receivable, net	6,208,911	34%	30%	-	-	2,092,117	1,875,636	1
Due From Third Party Payors	942,297	71%	61%	-	-	667,226	572,997	2
Supplies	190,997	10%	5%	-	-	19,100	9,550	
Intercompany Receivables	112,588,400	0%	0%	-	-	-	-	
Other Current Assets	530,479	10%	0%	-	-	53,048	-	
Total Current Assets	120,989,644	3%	2%	-	-	3,360,051	2,986,743	
Other Assets								
Property, Plant and Equipment, net:								
Land	678,910	103%	87%	-	-	699,500	588,000	3
Buildings & Improvements	7,892,218	0%	0%	-	-	-	-	4
Property & Equipment	1,019,826	15%	15%	-	-	155,000	155,000	5
	9,590,954	9%	8%	-	-	854,500	743,000	
Investment in Subs	-	0%	0%	-	-	-	-	
Other Assets	-	0%	0%	-	-	-	-	
Total Other Assets	9,590,954			-	-	854,500	743,000	
TOTAL ASSETS	**$ 130,580,598**	**3%**	**3%**	**$ -**	**$ -**	**$ 4,214,551**	**$ 3,729,743**	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						1,418,413	1,418,413	
Trustee Fees						126,437	111,892	6
Wind Down Costs						5,524,302	7,024,302	7
Total Administrative Expenses						7,069,152	8,554,608	
Priority Claims								
Priority Secured Debt (DIP Financing)						-	-	
Tax Claims						107,499	107,499	
From Statements and Schedules						21,455	21,455	
Total Priority Claims						128,954	128,954	
Net Assets Available for Distribution						**(2,983,555)**	**(4,953,819)**	

1 See Exhibit A.

2 See Exhibit B.

3 Appraisal performed by CB Richard Ellis indicates that the land value, in a non-liquidation scenario is $2,230,000. To attain the high and low liquidation values, the non-liquidation value was discounted 35% and 40%, respectively, based on information received from the appraiser. The liquidation values were further reduced by approximately $3 per square foot to reflect the cost of demolition. The values presented above do not contemplate environmental remediation costs which are included in the wind down costs.

4 The value of the land presented herein reflects the attainable value at the time of sale. However, it is likely that a sale process will take 6 to 12 months, during which time property insurance, security, taxes and other costs will accrue, further reducing the proceeds from the sale.

5 Appraisal performed by Wellspring Valuation and reflect the "Orderly Liquidation Value" contained therein. No adjustment has been made to eliminate the value of equipment under capital leases which may be contained therein.

6 Represents 3% of the liquidation value of the assets, above.

7 Please see Closure Plan Summary.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
PACIFICA OF THE VALLEY CORPORATION

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 734,972	100%	100%	$ -	$ -	$ 734,972	$ 734,972	
Patient Accounts Receivable, net	9,776,653	43%	29%	-	-	4,240,403	2,838,262	1
Due From Third Party Payors	10,371,589	36%	26%	-	-	3,717,859	2,680,700	2
Supplies	782,386	10%	5%	-	-	78,239	39,119	
Intercompany Receivables	117,090,593	0%	0%	-	-	-	-	
Other Current Assets	3,982,895	10%	0%	-	-	398,290	-	
Total Current Assets	142,739,088	6%	4%	-	-	9,169,762	6,293,053	
Other Assets								
Property, Plant and Equipment, net:								
Land	3,727,288	86%	80%	-	-	3,203,555	2,973,650	3
Buildings & Improvements	10,675,491	0%	0%	-	-	-	-	4
Property & Equipment	3,262,885	39%	39%	-	283,254	1,261,746	1,261,746	5
	17,665,663	25%	24%	-	283,254	4,465,301	4,235,396	
Investment in Subs	-	0%	0%	-	-	-	-	
Other Assets	-	0%	0%	-	-	-	-	
Total Other Assets	17,665,663			-	283,254	4,465,301	4,235,396	
TOTAL ASSETS	**$ 160,404,751**	**9%**	**7%**	**$ -**	**$ 283,254**	**$ 13,635,063**	**$ 10,528,449**	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						3,839,718	3,839,718	
Trustee Fees						409,052	315,853	6
Wind Down Costs						14,528,008	16,928,008	7
Total Administrative Expenses						18,776,778	21,083,579	
Priority Claims								
Priority Secured Debt (DIP Financing)						-	-	
Tax Claims						846,075	846,075	
From Statements and Schedules						266,209	266,209	
Total Priority Claims						1,112,284	1,112,284	
Secured Claims								
Healthcare REIT						18,797,013	18,797,013	
Total Secured Claims						18,797,013	18,797,013	
Net Assets Available for Distribution						(25,051,012)	(30,464,428)	

1 See Exhibit A.

2 See Exhibit B.

3 Appraisal performed by CB Richard Ellis indicates that the liquidation value of the land is $3,740,000. To develop the high and low liquidation values, this value was then reduced by $3.50 and $5.00 per square foot, respectively, the appraiser's estimates of the demolition costs. The values presented above do not contemplate environmental remediation costs, which are included in the wind down costs.

4 The value of the land presented herein reflects the attainable value at the time of sale. However, it is likely that a sale process will take 6 to 12 months, during which time property insurance, security, taxes and other costs will accrue, further reducing the proceeds from the sale.

5 Appraisal performed by Wellspring Valuation and reflects the "Orderly Liquidation Value" contained therein. The adjustment for encumbered assets eliminates the value of equipment known to be under capital lease.

6 Represents 3% of the liquidation value of the assets, above.

7 Please see Closure Plan Summary.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
PINE GROVE HOSPITAL

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 7,647	100%	100%	$ -	$ -	$ 7,647	$ 7,647	
Patient Accounts Receivable, net	52,113	0%	0%	-	-	-	-	1
Due From Third Party Payors		N/A	N/A	-	-	-	-	2
Supplies		10%	5%	-	-	-	-	
Intercompany Receivables	7,200,695	0%	0%	-	-	-	-	
Assets Held for Sale	7,482			-	-	-	-	3
Other Current Assets	28,201	10%	0%	-	-	2,820	-	
Total Current Assets	7,296,138	0%	0%	-	-	10,467	7,647	
Other Assets								
Property, Plant and Equipment, net:								
Land	-	N/A	N/A	-	-	-	-	
Buildings & Improvements	-	N/A	N/A	-	-	-	-	
Property & Equipment	-	N/A	N/A	-	-	-	-	
	-	N/A	N/A	-	-	-	-	
Investment in Subs	-	0%	0%	-	-	-	-	
Other Assets	-	0%	0%	-	-	-	-	
Total Other Assets	-			-	-	-	-	
TOTAL ASSETS	**$ 7,296,138**	**0%**	**0%**	**$ -**	**$ -**	**$ 10,467**	**$ 7,647**	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						223,745	223,745	
Trustee Fees						314	229	4
Wind Down Costs						350,000	700,000	5
Total Administrative Expenses						574,059	923,974	
Priority Claims								
Priority Secured Debt (DIP Financing)						-	-	
Tax Claims						252,230	252,230	
From Statements and Schedules						79,781	79,781	
Total Priority Claims						332,011	332,011	
Net Assets Available for Distribution						**(895,603)**	**(1,248,338)**	

1 See Exhibit A.

2 See Exhibit B.

3 Net proceeds from sale of the facility are reflected in the consolidated cash balance. Remaining assets are assumed to have no value.

4 Represents 3% of the liquidation value of the assets, above.

5 Estimated annual cost of $35,000 to $70,000 for medical records storage requirement based on DCHC current experience. 10 year storage Requirement.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
PRELIMINARY LIQUIDATION ANALYSIS
DCHC CORPORATE

ASSETS	Balance At August 31, 2003	Liquidation Adjustment Range High	Liquidation Adjustment Range Low	Anticipated Setoffs	Encumbered Assets	Liquidation Value High	Liquidation Value Low	Notes
Current Assets								
Cash	$ 7,297,339	100%	100%	$ -	$ -	$ 7,297,339	$ 7,297,339	
Patient Accounts Receivable, net		100%	100%	-	-	-	-	1
Due From Third Party Payors	1,085,540	10%	0%	-	-	108,554	-	2
Supplies		10%	5%	-	-	-	-	
Intercompany Receivables	-	0%	0%	-	-	-	-	
Other Current Assets	6,643,300	10%	0%	-	-	664,330	-	
Total Current Assets	15,026,179	54%	49%	-	-	8,070,223	7,297,339	
Other Assets								
Property, Plant and Equipment, net:								
Land	-	100%	100%	-	-	-	-	
Buildings & Improvements	-	100%	100%	-	-	-	-	
Property & Equipment	81,011			-	-			
	81,011	0%	0%	-	-	-	-	
Investment in Subs	934,581	0%	0%	-	-	-	-	
Other Assets	-	0%	0%	-	-	-	-	
Total Other Assets	1,015,592			-	-	-	-	
TOTAL ASSETS	$ 16,041,771	50%	45%	$ -	$ -	$ 8,070,223	$ 7,297,339	
LIABILITIES AND NET ASSETS								
Administrative Expenses								
Current Liabilities - Post Petition						2,849,739	2,849,739	
Professional Fees						1,600,000	2,400,000	3
Trustee Fees						242,107	218,920	4
Wind Down Costs						160,826	296,652	5
Total Administrative Expenses						4,852,672	5,765,311	
Priority Claims								
Priority Secured Debt (DIP Financing)						-	-	
Tax Claims						4,120	4,120	
From Statements and Schedules						36,265	36,265	
Total Priority Claims						40,385	40,385	
Secured Claims								
Medline						4,000,000	4,000,000	
Total Secured Claims						4,000,000	4,000,000	
Net Assets Available for Distribution						(822,833)	(2,508,357)	

1 See Exhibit A.

2 See Exhibit B.

3 Reflects estimated professional fees of $400,000 per month for 4 and 6 months, respectively.

4 Represents 3% of the liquidation value of the assets, above.

5 Assumes approximately 1/2 to 1 month is required to cease operations and close office.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
EXHIBIT A - NET PATIENT A/R
GREATER SOUTHEAST HOSPITAL

Net A/R (as of August 31, 2003)	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	$ 1,361,044	$ 1,340,924	$ 567,682	$ 257,210	$ 75,752	$ 136,639	$ 1,705,751	$ 5,445,004
Medi-Cal/Medicaid	766,316	387,292	153,269	180,746	83,890	44,962	1,167,089	2,783,562
Commercial	890,639	1,210,841	1,656,338	1,641,654	503,437	317,414	5,003,461	11,223,783
HMO	408,999	926,747	780,688	321,368	206,353	176,272	2,126,004	4,946,431
Self Pay	141,255	170,466	194,807	161,863	131,687	243,535	1,576,990	2,620,603
Clearing Accounts								3,116,277
Anesthesia								1,615,586
Contract PA								820,477
Other								2,153,577
Total	**$ 3,568,255**	**$ 4,036,269**	**$ 3,352,784**	**$ 2,562,841**	**$ 1,001,119**	**$ 918,821**	**$ 11,579,295**	**$ 34,725,301**

Liquidation Factors - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Medi-Cal/Medicaid	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Commercial	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
HMO	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
Self Pay	25.0%	20.0%	15.0%	10.0%	5.0%	0.0%	0.0%	
Clearing Accounts								68.0%
Anesthesia								25.0%
Contract PA								0.0%
Other								10.0%

A/R Liquidation Values by Payor Class - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal: High	Collection Costs	Total: High
Medicare	$ 1,292,992	$ 1,273,878	$ 454,146	$ 154,326	$ 22,726	$ 20,496	$ -	$ 3,218,564	$ (1,289,161)	$ 1,929,403	$ (308,705)	$ 1,620,699
Medi-Cal/Medicaid	728,000	367,927	122,615	108,447	25,167	6,744	-	1,358,901	-	1,358,901	(217,424)	1,141,477
Commercial	667,979	908,131	993,803	656,662	125,859	31,741	-	3,384,175	-	3,384,175	(541,468)	2,842,707
HMO	306,750	695,060	468,413	128,547	51,588	17,627	-	1,667,985	-	1,667,985	(266,878)	1,401,107
Self Pay	35,314	34,093	29,221	16,186	6,584	-	-	121,399	-	121,399	(19,424)	101,975
Clearing Accounts								2,119,069	-	2,119,069	(339,051)	1,780,018
Anesthesia								403,897	-	403,897	(64,623)	339,273
Contract PA								-	-	-	-	-
Other								215,358	-	215,358	(34,457)	180,901
Total	**$ 3,031,035**	**$ 3,279,089**	**$ 2,068,197**	**$ 1,064,169**	**$ 231,925**	**$ 76,609**	**$ -**	**$ 12,489,346**	**$ (1,289,161)**	**$ 11,200,186**	**$ (1,792,030)**	**$ 9,408,156**

Liquidation Factors - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	85.0%	75.0%	60.0%	50.0%	25.0%	10.0%	0.0%	
Medi-Cal/Medicaid	85.0%	75.0%	60.0%	50.0%	25.0%	20.0%	0.0%	
Commercial	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
HMO	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
Self Pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Clearing Accounts								68.0%
Anesthesia								25.0%
Contract PA								0.0%
Other								10.0%

A/R Liquidation Values by Payor Class - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal: Low	Collection Costs	Total: Low
Medicare	$ 1,156,888	$ 1,005,693	$ 340,609	$ 128,605	$ 18,938	$ 13,664	$ -	$ 2,664,397	$ (1,289,161)	$ 1,375,237	$ (220,038)	$ 1,155,199
Medi-Cal/Medicaid	651,369	290,469	91,961	90,373	20,973	8,992	-	1,154,136	-	1,154,136	(184,662)	969,475
Commercial	445,320	484,336	496,901	328,331	50,344	-	-	1,805,232	-	1,805,232	(288,837)	1,516,395
HMO	204,500	370,699	234,206	64,274	20,635	-	-	894,314	-	894,314	(143,090)	751,223
Self Pay	-	-	-	-	-	-	-	-	-	-	-	-
Clearing Accounts								2,119,069	-	2,119,069	(339,051)	1,780,018
Anesthesia								403,897	-	403,897	(64,623)	339,273
Contract PA								-	-	-	-	-
Other								215,358	-	215,358	(34,457)	180,901
Total	**$ 2,458,076**	**$ 2,151,197**	**$ 1,163,678**	**$ 611,582**	**$ 110,890**	**$ 22,656**	**$ -**	**$ 9,256,402**	**$ (1,289,161)**	**$ 7,967,242**	**$ (1,274,759)**	**$ 6,692,483**

PRELIMINARY

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
EXHIBIT A - NET PATIENT A/R
MICHAEL REESE

Net A/R (as of August 31, 2003)	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	$ 1,329,969	$ 1,400,583	$ 489,784	$ 214,988	$ 212,116	$ 146,438	$ 407,797	$ 4,201,675
Medi-Cal/Medicaid	603,414	1,350,633	550,746	236,037	86,833	185,977	549,050	3,562,690
Commercial	47,794	267,656	123,433	59,246	49,268	18,636	204,696	770,730
HMO	620,407	1,968,048	959,216	443,500	334,018	265,922	1,423,175	6,014,287
Self Pay	2,641	8,476	10,459	5,137	1,544	14,407	24,343	67,006
Client Accounts Receivable								928,308
Home Care								-
Turner/Perry								38,930
Chatham Ridge								59,937
Other								1,990,264
Total	$ 2,604,226	$ 4,995,395	$ 2,133,638	$ 958,909	$ 683,780	$ 631,380	$ 2,609,062	$ 17,633,828

Liquidation Factors - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Medi-Cal/Medicaid	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Commercial	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
HMO	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
Self Pay	25.0%	20.0%	15.0%	10.0%	5.0%	0.0%	0.0%	
Client Accounts Receivable								10%
Home Care								0%
Turner/Perry								0%
Chatham Ridge								0%
Other								5%

A/R Liquidation Values by Payor Class - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payers	Subtotal	Collection Costs	Total: High
Medicare	$ 1,263,471	$ 1,330,554	$ 391,827	$ 128,993	$ 63,635	$ 21,966	$ -	$ 3,200,445	$ -	$ 3,200,445	$ (512,071)	$ 2,688,374
Medi-Cal/Medicaid	573,244	1,283,101	440,597	141,622	26,050	27,896	-	2,492,510	(602,195)	1,890,315	(302,450)	1,587,865
Commercial	35,846	200,742	74,060	23,698	12,317	1,864	-	348,527	-	348,527	(55,764)	292,762
HMO	465,305	1,476,036	575,529	177,400	83,505	26,592	-	2,804,368	-	2,804,368	(448,699)	2,355,669
Self Pay	660	1,695	1,569	514	77	-	-	4,515	0	4,515	(722)	3,793
Client Accounts Receivable								92,831	0	92,831	(14,853)	77,978
Home Care								-	-	-	-	-
Turner/Perry								-	-	-	-	-
Chatham Ridge								-	-	-	-	-
Other								99,513	-	99,513	$ (15,922)	$ 83,591
Total	$ 2,338,525	$ 4,292,128	$ 1,483,582	$ 472,228	$ 185,584	$ 78,318	$ -	$ 9,042,709	$ (602,195)	$ 8,440,514	$ (1,350,482)	$ 7,090,031

Liquidation Factors - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	85.0%	75.0%	60.0%	50.0%	25.0%	10.0%	0.0%	
Medi-Cal/Medicaid	85.0%	75.0%	60.0%	50.0%	25.0%	20.0%	0.0%	
Commercial	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
HMO	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
Self Pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Client Accounts Receivable								10%
Home Care								0%
Turner/Perry								0%
Chatham Ridge								0%
Other								5%

A/R Liquidation Values by Payor Class - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payers	Subtotal	Collection Costs	Total: Low
Medicare	$ 1,130,474	$ 1,050,437	$ 293,870	$ 107,494	$ 53,029	$ 14,644	$ -	$ 2,649,948	$ -	$ 2,649,948	$ (423,992)	$ 2,225,956
Medi-Cal/Medicaid	512,902	1,012,974	330,448	118,019	21,708	37,195	-	2,033,246	(602,195)	1,431,051	(228,968)	1,202,083
Commercial	23,897	107,062	37,030	11,849	4,927	-	-	184,766	-	184,766	(29,562)	155,203
HMO	310,204	787,219	287,765	88,700	33,402	-	-	1,507,289	-	1,507,289	(241,166)	1,266,123
Self Pay	-	-	-	-	-	-	-	-	0	-	-	-
Client Accounts Receivable								92,831	0	92,831	(14,853)	77,978
Home Care								-	-	-	-	-
Turner/Perry								-	-	-	-	-
Chatham Ridge								-	-	-	-	-
Other								99,513	-	99,513	$ (15,922)	$ 83,591
Total	$ 1,977,477	$ 2,957,693	$ 949,113	$ 326,062	$ 113,066	$ 51,839	$ -	$ 6,567,593	$ (602,195)	$ 5,965,398	$ (954,464)	$ 5,010,935

PRELIMINARY

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
EXHIBIT A - NET PATIENT A/R
HADLEY

Net A/R (as of August 31, 2003)	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	$ 595,334	$ 260,697	$ 137,651	$ 152,287	$ 150,415	$ 102,596	$ 219,860	$ 1,618,840
Medi-Cal/Medicaid	1,097,280	192,603	261,326	102,341	208,813	234,465	502,480	2,599,308
Commercial	-	-	-	-	-	-	78	78
HMO	160,458	40,658	45,686	16,024	98,809	45,563	81,656	488,854
Self Pay	-	-	-	-	-	-	-	-
Clearing Accounts								1,501,828
Other								3
Total	**$ 1,853,072**	**$ 493,958**	**$ 444,663**	**$ 270,652**	**$ 458,037**	**$ 382,624**	**$ 804,074**	**$ 6,208,911**

Liquidation Factors - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Medi-Cal/Medicaid	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Commercial	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
HMO	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
Self Pay	25.0%	20.0%	15.0%	10.0%	5.0%	0.0%	0.0%	
Clearing Accounts								80.0%
Other								0.0%

A/R Liquidation Values by Payor Class - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal	Collection Costs	Total
Medicare	$ 565,567	$ 247,662	$ 110,121	$ 91,372	$ 45,125	$ 15,389	$ -	$ 1,075,236	$ -	1,075,236	$ (172,038)	903,199
Medi-Cal/Medicaid	1,042,416	182,973	209,061	61,405	62,644	35,170	-	1,593,668	(1,593,668)	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-	-	-
HMO	120,344	30,494	27,412	6,410	24,702	4,556	-	213,917	-	213,917	(34,227)	179,690
Self Pay	-	-	-	-	-	-	-	-	-	-	-	-
Clearing Accounts								1,201,463	-	1,201,463	(192,234)	1,009,229
Other								-	-	-	-	-
Total	**$ 1,728,327**	**$ 461,129**	**$ 346,593**	**$ 159,186**	**$ 132,471**	**$ 55,115**	**$ -**	**$ 4,084,284**	**$ (1,593,668)**	**$ 2,490,616**	**$ (398,499)**	**$ 2,092,117**

Liquidation Factors - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	85.0%	75.0%	60.0%	50.0%	25.0%	10.0%	0.0%	
Medi-Cal/Medicaid	85.0%	75.0%	60.0%	50.0%	25.0%	20.0%	0.0%	
Commercial	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
HMO	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
Self Pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Clearing Accounts								80.0%
Other								0.0%

A/R Liquidation Values by Payor Class - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal	Collection Costs	Total
Medicare	$ 506,034	$ 195,523	$ 82,591	$ 76,144	$ 37,604	$ 10,260	$ -	$ 908,154	$ -	908,154	$ (145,305)	762,849
Medi-Cal/Medicaid	932,688	144,452	156,796	51,171	52,203	46,893	-	1,384,203	(1,384,203)	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-	-	-
HMO	80,229	16,263	13,706	3,205	9,881	-	-	123,284	-	123,284	(19,725)	103,558
Self Pay	-	-	-	-	-	-	-	-	-	-	-	-
Clearing Accounts								1,201,463	-	1,201,463	(192,234)	1,009,229
Other								-	-	-	-	-
Total	**$ 1,518,951**	**$ 356,238**	**$ 253,092**	**$ 130,519**	**$ 99,688**	**$ 57,153**	**$ -**	**$ 3,617,103**	**$ (1,384,203)**	**$ 2,232,900**	**$ (357,264)**	**1,875,636**

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
EXHIBIT A - NET PATIENT A/R
PACIFICA

Net A/R (as of August 31, 2003)	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	$ 535,076	$ 428,367	$ 147,395	$ 155,789	$ 83,130	$ 34,313	$ 288,582	$ 1,672,654
Medi-Cal/Medicaid	1,532,127	696,105	405,608	180,425	261,929	197,257	863,132	4,136,583
Commercial	86,686	127,593	121,126	77,687	30,938	19,647	-	463,678
HMO	301,996	247,302	336,824	134,637	75,667	52,995	-	1,149,422
Self Pay	156,347	463,359	478,630	522,922	229,582	141,742	-	1,992,582
Clearing Accounts								276,676
Client AR								71,500
Other								13,559
Total	**$ 2,612,232**	**$ 1,962,727**	**$ 1,489,583**	**$ 1,071,459**	**$ 681,247**	**$ 445,955**	**$ 1,151,715**	**$ 9,776,653**

Liquidation Factors - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Medi-Cal/Medicaid	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Commercial	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
HMO	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
Self Pay	25.0%	20.0%	15.0%	10.0%	5.0%	0.0%	0.0%	
Clearing Accounts								0%
Client AR								0%
Other								0%

A/R Liquidation Values by Payor Class - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal	Collection Costs	Total
Medicare	$ 508,322	$ 406,949	$ 117,916	$ 93,473	$ 24,939	$ 5,147	$ -	$ 1,156,747	$ -	$ 1,156,747	$ (185,079)	$ 971,667
Medi-Cal/Medicaid	1,455,520	661,300	324,487	108,255	78,579	29,589	-	2,657,729	-	2,657,729	(425,237)	2,232,493
Commercial	65,015	95,695	72,676	31,075	7,735	1,965	-	274,159	-	274,159	(43,866)	230,294
HMO	226,497	185,477	202,094	53,855	18,917	5,300	-	692,139	-	692,139	(110,742)	581,397
Self Pay	39,087	92,672	71,795	52,292	11,479	-	-	267,324	-	267,324	(42,772)	224,552
Clearing Accounts								-	-	-	-	-
Client AR								-	-	-	-	-
Other								-	-	-	-	-
Total	**$ 2,294,441**	**$ 1,442,092**	**$ 788,967**	**$ 338,950**	**$ 141,648**	**$ 42,000**	**$ -**	**$ 5,048,099**	**$ -**	**$ 5,048,099**	**$ (807,696)**	**$ 4,240,403**

Liquidation Factors - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	85.0%	75.0%	60.0%	50.0%	25.0%	10.0%	0.0%	
Medi-Cal/Medicaid	85.0%	75.0%	60.0%	50.0%	25.0%	20.0%	0.0%	
Commercial	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
HMO	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
Self Pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Clearing Accounts								0%
Client AR								0%
Other								0%

A/R Liquidation Values by Payor Class - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal	Collection Costs	Total
Medicare	$ 454,815	$ 321,275	$ 88,437	$ 77,894	$ 20,783	$ 3,431	$ -	$ 966,635	$ -	$ 966,635	$ (154,662)	$ 811,974
Medi-Cal/Medicaid	1,302,308	522,079	243,365	90,213	65,482	39,451	-	2,262,898	-	2,262,898	(362,064)	1,900,834
Commercial	43,343	51,037	36,338	15,537	3,094	-	-	149,349	-	149,349	(23,896)	125,454
HMO	150,998	98,921	101,047	26,927	7,567	-	-	-	-	-	-	-
Self Pay	-	-	-	-	-	-	-	-	-	-	-	-
Clearing Accounts								-	-	-	-	-
Client AR								-	-	-	-	-
Other								-	-	-	-	-
Total	**$ 1,951,464**	**$ 993,313**	**$ 469,187**	**$ 210,572**	**$ 96,925**	**$ 42,883**	**$ -**	**$ 3,378,883**	**$ -**	**$ 3,378,883**	**$ (540,621)**	**$ 2,838,262**

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
EXHIBIT A - NET PATIENT A/R
PINE GROVE

Net A/R (as of August 31, 2003)	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	$ -	$ -	$ -	$ -	$ -	$ 132	$ 14,404	$ 14,535
Medi-Cal/Medicaid	-	-	-	-	-	-	56,529	56,529
Commercial	-	-	-	-	-	-	14,056	14,056
HMO	-	(1)	-	-	-	-	3,816	3,815
Self Pay	-	-	-	-	-	-	7,449	7,449
Clearing Accounts								(44,273)
Other								1
Total	**$ -**	**$ (1)**	**$ -**	**$ -**	**$ -**	**$ 132**	**$ 96,254**	**$ 52,113**

Liquidation Factors - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Medi-Cal/Medicaid	95.0%	95.0%	80.0%	60.0%	30.0%	15.0%	0.0%	
Commercial	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
HMO	75.0%	75.0%	60.0%	40.0%	25.0%	10.0%	0.0%	
Self Pay	25.0%	20.0%	15.0%	10.0%	5.0%	0.0%	0.0%	
Clearing Accounts								100%
Other								100%

A/R Liquidation Values by Payor Class - High	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal	Offset to Claim	Total
Medicare	$ -	$ -	$ -	$ -	$ -	$ 20	$ -	$ 20	$ (20)	$ -	-	-
Medi-Cal/Medicaid	-	-	-	-	-	-	-	-	-	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-	-	-
HMO	-	(1)	-	-	-	-	-	(1)	-	(1)	1	-
Self Pay	-	-	-	-	-	-	-	-	-	-	-	-
Clearing Accounts								(44,273)	-	(44,273)	44,273	-
Other								1	-	-	-	-
Total	**$ -**	**$ (1)**	**$ -**	**$ -**	**$ -**	**$ 20**	**$ -**	**$ (44,253)**	**$ (20)**	**$ (44,274)**	**$ 44,274**	**$ -**

Liquidation Factors - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets
Medicare	85.0%	75.0%	60.0%	50.0%	25.0%	10.0%	0.0%	
Medi-Cal/Medicaid	85.0%	75.0%	60.0%	50.0%	25.0%	20.0%	0.0%	
Commercial	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
HMO	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%	0.0%	
Self Pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Clearing Accounts								100%
Other								100%

A/R Liquidation Values by Payor Class - Low	Unbilled	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151+ Days	Subtotal: Pre-Offsets	Offsets: Third Party Payors	Subtotal	Offset to Claim	Total
Medicare	$ -	$ -	$ -	$ -	$ -	$ 13	$ -	$ 13	$ (13)	$ -	-	-
Medi-Cal/Medicaid	-	-	-	-	-	-	-	-	-	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-	-	-
HMO	-	(1)	-	-	-	-	-	(1)	-	(1)	1	-
Self Pay	-	-	-	-	-	-	-	-	-	-	-	-
Clearing Accounts								(44,273)	-	(44,273)	44,273	-
Other								1	-	-	-	-
Total	**$ -**	**$ (1)**	**$ -**	**$ -**	**$ -**	**$ 13**	**$ -**	**$ (44,259)**	**$ (13)**	**$ (44,273)**	**$ 44,273**	**$ -**

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Greater Southeast Community Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999		(1,840,490)						
2000	465,151							
2001	(374,593)							
2002	1,851,845							
2003	-				1,970,947			
Assets	2,316,996	-	-	-	1,970,947	-	-	-
Offsets	(374,593)	(1,840,490)	-	-	-	-	-	-

Medicare Assets Total:	2,316,996	Medicaid Assets Total:	1,970,947	Assets: Grand Total	4,287,943
Medicare Offsets Total:	(2,215,083)	Medicaid Offsets Total:	-	Offsets: Grand Total	(2,215,083)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999		100.0%						
2000	0.0%							
2001	100.0%							
2002	50.0%							
2003					80.0%			

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-
1999	-	(1,840,490)	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	(374,593)	-	-	-	-	-	-	-
2002	925,923	-	-	-	-	-	-	-
2003	-	-	-	-	1,576,758	-	-	-
Assets	925,923	-	-	-	1,576,758	-	-	-
Offsets	(374,593)	(1,840,490)	-	-	-	-	-	-

Subtotal: Medicare Assets	925,923	Subtotal: Medicaid Assets	1,576,758		
Subtotal: Medicare Offsets	(2,215,083)	Subtotal: Medicaid Offsets	-		
Medicare Liquidation Value	-	Medicaid Liquidation Value	1,576,758	Total Liquidation Value	1,576,758 [1]
Medicare Liabilities	1,289,161	Medicaid Liabilities	-	Total Liabilities	1,289,161
				High Unsecured Claim	-
				Low Unsecured Claim	-

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Hadley Memorial Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993				(1,029,684)				(52,108)
1994				373,912				(121,418)
1995				322,214				(37,727)
1996				(273,828)				(48,576)
1997								(147,206)
1998	40,701							
1999								
2000	80,637							
2001	517,220							
2002	342,585			(84,152)				
2003	(3,000)							
Assets	981,143	-	-	696,126	-	-	-	-
Offsets	(3,000)	-	-	(1,387,664)	-	-	-	(407,035)

Medicare Assets Total:	981,143	Medicaid Assets Total:	696,126	Assets: Grand Total	1,677,269
Medicare Offsets Total:	(3,000)	Medicaid Offsets Total:	(1,794,699)	Offsets: Grand Total	(1,797,699)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993				100.0%				100.0%
1994				0.0%				100.0%
1995				0.0%				100.0%
1996				100.0%				100.0%
1997								100.0%
1998	0.0%							
1999		100.0%						
2000	50.0%							
2001	50.0%							
2002	80.0%			0.0%				100.0%
2003					100.0%			

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	(1,029,684)	-	-	-	(52,108)
1994	-	-	-	-	-	-	-	(121,418)
1995	-	-	-	-	-	-	-	(37,727)
1996	-	-	-	(273,828)	-	-	-	(48,576)
1997	-	-	-	-	-	-	-	(147,206)
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	40,319	-	-	-	-	-	-	-
2001	258,610	-	-	-	-	-	-	-
2002	274,068	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
Assets	572,997	-	-	-	-	-	-	-
Offsets	-	-	-	(1,303,512)	-	-	-	(407,035)

Subtotal: Medicare Assets	572,997	Subtotal: Medicaid Assets	-		
Subtotal: Medicare Offsets	-	Subtotal: Medicaid Offsets	(1,710,547)		
Medicare Liquidation Value	572,997	Medicaid Liquidation Value	-	Total Liquidation Value	572,997 [1]
Medicare Liabilities	-	Medicaid Liabilities	1,710,547	Total Liabilities	1,710,547
				High Unsecured Claim	116,879
				Low Unsecured Claim	326,344

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Michael Reese Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999								
2000	3,218,793					(406,000)		
2001	1,798,254					(196,195)		
2002	(2,710,380)							
2003	1,224,755				798,221			
Assets	6,241,802	-	-	-	798,221	-	-	-
Offsets	(2,710,380)	-	-	-	-	(602,195)	-	-

Medicare Assets Total:	6,241,802	Medicaid Assets Total:	798,221	Assets: Grand Total	7,040,023
Medicare Offsets Total:	(2,710,380)	Medicaid Offsets Total:	(602,195)	Offsets: Grand Total	(3,312,575)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999								
2000	50.0%					100.0%		
2001	50.0%					100.0%		
2002	100.0%				100.0%			
2003	80.0%							

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	1,609,397	-	-	-	-	(406,000)	-	-
2001	899,127	-	-	-	-	(196,195)	-	-
2002	(2,710,380)	-	-	-	-	-	-	-
2003	979,804	-	-	-	-	-	-	-
Assets	3,488,328	-	-	-	-	-	-	-
Offsets	(2,710,380)	-	-	-	-	(602,195)	-	-

Subtotal: Medicare Assets	3,488,328	Subtotal: Medicaid Assets	-		
Subtotal: Medicare Offsets	(2,710,380)	Subtotal: Medicaid Offsets	(602,195)		
Medicare Liquidation Value	777,948	Medicaid Liquidation Value	-	Total Liquidation Value	777,948 [1]
Medicare Liabilities	-	Medicaid Liabilities	602,195	Total Liabilities	602,195
				High Unsecured Claim	-
				Low Unsecured Claim	-

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

PRELIMINARY

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Pacifica of the Valley Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996			(102,129)					
1997			(386,938)					
1998			(49,117)					
1999								
2000	140,226							
2001	296,238							
2002	357,794				4,357,040		5,515,751	
2003	62,724							
Assets	856,982	-	-	-	4,357,040	-	5,515,751	-
Offsets	-	-	(538,184)	-	-	-	-	-

Medicare Assets Total:	856,982	Medicaid Assets Total:	9,872,791	Assets: Grand Total	10,729,773
Medicare Offsets Total:	(538,184)	Medicaid Offsets Total:	-	Offsets: Grand Total	(538,184)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996			100.0%					
1997			100.0%					
1998			100.0%					
1999								
2000	50.0%							
2001	50.0%							
2002	80.0%				61.1%			
2003	80.0%						0.0%	

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-
1996	-	-	(102,129)	-	-	-	-	-
1997	-	-	(386,938)	-	-	-	-	-
1998	-	-	(49,117)	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	70,113	-	-	-	-	-	-	-
2001	148,119	-	-	-	-	-	-	-
2002	286,235	-	-	-	2,664,237	-	-	-
2003	50,179	-	-	-	-	-	-	-
Assets	554,646	-	-	-	2,664,237	-	-	-
Offsets	-	-	(538,184)	-	-	-	-	-

Subtotal: Medicare Assets	554,646	Subtotal: Medicaid Assets	2,664,237		
Subtotal: Medicare Offsets	(538,184)	Subtotal: Medicaid Offsets	-		
Medicare Liquidation Value	16,462	Medicaid Liquidation Value	2,664,237	Total Liquidation Value	2,680,700 [1]
Medicare Liabilities	-	Medicaid Liabilities	-	Total Liabilities	-
				High Unsecured Claim	-
				Low Unsecured Claim	-

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Pine Grove Hospital
As of August 31, 2003

Net

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999								
2000								
2001	22,071							
2002	(109,995)							
2003	(29,519)							
Assets	22,071	-	-	-	-	-	-	-
Offsets	(139,514)	-	-	-	-	-	-	-

Medicare Assets Total:	22,071	Medicaid Assets Total:	-	Assets: Grand Total	22,071
Medicare Offsets Total:	(139,514)	Medicaid Offsets Total:	-	Offsets: Grand Total	(139,514)

Liquidation Factors

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993								
1994								
1995								
1996								
1997								
1998								
1999								
2000								
2001	50.0%							
2002	100.0%							
2003	100.0%							

Liquidation Values

	Medicare			Medicaid				
Year	General	Settlement	Relator	General	DSH	Coding/DRG	DSH & SB1255	DSH Overpmt
1993	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	11,036	-	-	-	-	-	-	-
2002	(109,995)	-	-	-	-	-	-	-
2003	(29,519)	-	-	-	-	-	-	-
Assets	11,036	-	-	-	-	-	-	-
Offsets	(139,514)	-	-	-	-	-	-	-

Subtotal: Medicare Assets	11,036	Subtotal: Medicaid Assets	-		
Subtotal: Medicare Offsets	(139,514)	Subtotal: Medicaid Offsets	-		
Medicare Liquidation Value	-	Medicaid Liquidation Value	-	Total Liquidation Value	- [1]
Medicare Liabilities	128,479	Medicaid Liabilities	-	Total Liabilities	128,479
				High Unsecured Claim	128,459
				Low Unsecured Claim	128,465

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

Greater Southeast Corporation I, *et al.*
Exhibit B - 3rd Party Payor A/R
(Including Offsets)
Corporate
As of August 31, 2003

Brea Third Party Settlements

	Account	Receivable/Liability Booked at Sale	Amount Paid to Brea	Date Paid to Brea	Brea Paid to DCHC	Amount Due DCHC	Amount Yet to Be Collected	Current Est. of Receivable
Medicare								
	1051.004	101,268	49,105	12/4/2002		49,105	-	49,105
	1051.005	386,824	263,721	8/6/2002		263,721	-	463,600
			199,879	5/9/2003		199,879		
	1051.006	310,149	265,431	1/17/2003		265,431	53,767	319,198
	1051.007	354,916				-	224,076	224,076
Champus								
			1,754	1/21/2003		1,754		1,754
MediCal								
	1052.002	25,000	3,238	8/29/2002		3,238		20,306
			17,068	4/21/2003		17,068		
	1052.000	25,000				-	25,000	25,000
	1052.001	25,000				-	25,000	25,000
	1052.004	25,000	2,791	2/26/2003		2,791		2,791
	1052.005	12,719				-	12,719	12,719
	1052.006	-	183,678	7/31/2002	183678	-	25,000	(75,303)
			(100,303)	4/15/2003		(100,303)		
	1052.007	-				-	17,295	17,295
		1,265,876	886,362		183,678	702,684	382,857	1,085,541

Liquidation Factors

	Account	Current Est. of Receivable
Medicare		
	1051.004	0%
	1051.005	0%
	1051.006	0%
	1051.007	0%
Champus		0%
MediCal		
	1052.002	0%
	1052.000	0%
	1052.001	0%
	1052.004	0%
	1052.005	0%
	1052.006	0%
	1052.007	0%

Liquidation Value

	Account	Current Est. of Receivable
Medicare		
	1051.004	-
	1051.005	-
	1051.006	-
	1051.007	-
Champus		-
MediCal		-
	1052.002	-
	1052.000	-
	1052.001	-
	1052.004	-
	1052.005	-
	1052.006	-
	1052.007	-
		- [1]

It is assumed that, after the associated costs, these receivables are valued at $0.

[1] Value shown is the "low" scenario. "High" scenario estimate is presumed to be higher by 10% of book value.

DOCTORS COMMUNITY HOSPITAL CORPORATION I, et al.
CLAIMS ESTIMATES
EXHIBIT C
Updated for August 2003 MOR

Secured Claims

	Medline	HC REIT	Total
Greater Southeast			-
Hadley Memorial Hospital			-
Michael Reese Hospital	9,726,907		9,726,907
Pacifica of the Valley Hospital		18,797,000	18,797,000
Pine Grove Hospital			-
Corporate	4,000,000		4,000,000
Multiple locations	1,700,000		1,700,000
	15,426,907	18,797,000	34,223,907

Note: $1.7 million of pre-petition accounts payables for supplies is potentially secured under the terms of the contract with Medline.

Accrued Interest

	Medline	HC REIT	Total
Greater Southeast			-
Hadley Memorial Hospital			-
Michael Reese Hospital	315,258		315,258
Pacifica of the Valley Hospital		1,800,000	1,800,000
Pine Grove Hospital			-
Corporate	129,644		129,644
	444,901	1,800,000	2,244,901

NCFE Claims (Per 8/31/03 Balance Sheet)

Greater Southeast	71,899,700
Hadley Memorial Hospital	188,150,960
Michael Reese Hospital	98,234,636
Pacifica of the Valley Hospital	154,596,714
Pine Grove Hospital	4,573,813
Corporate	4,868,114
	522,323,937

Priority Claims (Per Statements & Schedules)

Greater Southeast	376,735
Hadley Memorial Hospital	21,455
Michael Reese Hospital	104,220
Pacifica of the Valley Hospital	266,209
Pine Grove Hospital	79,781
Corporate	36,265
	884,664

Tax Claims	Employer Payroll	Sales and Use	Personal Property	Chicago Head	Real Property	Business	Total
Greater Southeast	182,216	92,262	-	-	-	-	274,478
Hadley Memorial Hospital	52,029	-	55,470	-	-	-	107,499
Michael Reese Hospital	94,806	289,977	-	12,502	2,422,137	-	2,819,422
Pacifica of the Valley Hospital	86,725	44,508	13,554	-	657,133	44,155	846,075
Pine Grove Hospital	14,329	-	1,730	-	130,543	105,628	252,230
Corporate	4,120	-	-	-	-	-	4,120
	434,225	426,747	70,754	12,502	3,209,813	149,783	4,303,824

	Best Case	Worst Case	
Unsecured Claims			
Unsecured Creditors			
Trade payables	60,000,000	61,000,000	Per balance sheet 8/31/03.
Professional liability/malpractice claims	11,000,000	10,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Patient refunds	4,000,000	4,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Accrued payroll and benefits	1,000,000	2,000,000	Per balance sheet 8/31/03, less amounts included as priority claims.
Severance and settlements	4,000,000	4,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Miscellaneous other liabilities per May MOR	4,000,000	4,000,000	Included in other liabilities subject to compromise on the 8/31/03 balance sheet.
Patient A/R Claims	44,274	44,273	See Exhibit A
Third Party Payors	245,338	454,810	See Exhibit B
Other			TBD
Total Unsecured Creditors	84,289,612	85,499,083	

Amounts listed are approximate.

Huron
CONSULTING GROUP

[redacted]

Experience. Redefined.

BOSTON
CHARLOTTE
CHICAGO
HOUSTON
MIAMI
NEW YORK
SAN FRANCISCO
WASHINGTON D.C.

© Huron Consulting Group. All rights reserved.

Disclaimer

This is intended to clarify Huron Consulting Group LLC's ("Huron") role related to the materials contained herein. Huron has assisted Doctors Community Healthcare Corporation ("DCHC" or the "Company") in analyzing their business and developing a preliminary closure plan for its facilities.

Huron has acted exclusively in an advisory capacity. Huron was not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, Huron does not express such an opinion. Huron does not express an opinion on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation

All financial information presented herein is the sole responsibility of the Company. Huron has necessarily relied on DCHC for the assumptions and information utilized in the various financial analyses presented. In so far as assumptions relate to the future and may be affected by unforeseen events, Huron expresses no opinion on how closely the forecasts will correspond to actual results.

Any material prepared by Huron is solely for the use of DCHC management, lenders and creditor financial and legal advisors and may not be reproduced, summarized or referred to or given to any other party without Huron's prior express permission. In addition, any materials prepared by Huron are to be treated as confidential.

PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $14.5M to $16.9M over the 90 day period required to close Pacifica with WARN Act requirements

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2	Month 3 Closure	Month 4 30 days post closure	Month 5 60 days post closure	Months 6-15	Total Low Estimate	Total High Estimate
Revenue:									
Gross patient service revenue	$ 10,599,870	$ 3,117,609	$ 1,870,565	$ 623,522	$ -	$ -	$ -	$ 5,611,696	$ 5,611,696
Deductions from revenue	(5,605,527)	(1,648,684)	(1,130,084)	(376,695)	-	-	-	(3,155,463)	(3,155,463)
Other revenue	51,746	-	-	-	-	-	-	-	-
Total net revenue	5,046,090	1,468,925	740,482	246,827	-	-	-	2,456,233	2,456,233
Operating Expenses:									
Salaries and benefits	3,041,422	3,041,422	3,041,422	536,722	152,071	152,071	315,865	7,239,574	7,239,574
Supplies	1,408,291	414,203	248,522	82,841	-	-	-	745,566	745,566
Professional fees (Medical)	139,163	139,163	139,163	139,163	-	-	-	417,489	417,489
Provision for uncollectible accounts	304,512	338,361	170,567	56,856	-	-	-	565,784	565,784
Purchased services	373,122	242,529	83,953	41,976	-	-	-	368,458	368,458
Repairs and maintenance	51,071	51,071	51,071	51,071	12,768	12,768	-	178,749	178,749
Insurance	111,607	111,607	111,607	111,607	48,407	48,407	484,070	915,704	915,704
Utilities	64,624	64,624	64,624	64,624	48,468	48,468	129,249	420,059	420,059
Rents and Leases	63,597	63,597	63,597	63,597	63,597	63,597	-	317,986	317,986
Other	88,291	88,291	88,291	88,291	-	-	-	264,873	264,873
One Time Closure Expenses	-	-	-	-	-	-	5,550,000	5,550,000	7,950,000
Total operating expenses	5,645,702	4,554,870	4,062,817	1,236,747	325,311	325,311	6,479,184	16,984,241	19,384,241
EBITDA	$ (599,612)	$ (3,085,945)	$ (3,322,336)	$ (989,920)	$ (325,311)	$ (325,311)	$ (6,479,184)	**$ (14,528,008)**	**$ (16,928,008)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of base month 1, 15% of base month 2, 7.5% of base months 3
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice per WARN Act; month 3 based on volume relative to baseline with 25% lag relative to volume; months 4+5 address
Supplies	Estimated as % of net revenue
Professional fees (Medical)	Contracts closed during month 3, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 4+5
Insurance	Tail liability coverage included in one time closure expense;month 4-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 4+5) to support clean-up and storage activities; months 6-15 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$700,000-1,400,000	Estimated annual cost of $70,000 to $140,000 for medical records storage requirement based on DCHC current experience. 10 storage requirement.
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$1,000,000-2,000,000	Expense based on experience in similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (eg, asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$2,000,000-2,700,000	Assume a one-time cost for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $1.3 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Pacifica will occur over 90 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Ability to transfer remaining patients to alternate care providers
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Management ability to execute closure work plan

PRELIMINARY

Pacifica Hospital of the Valley:
Area Hospital Facilities

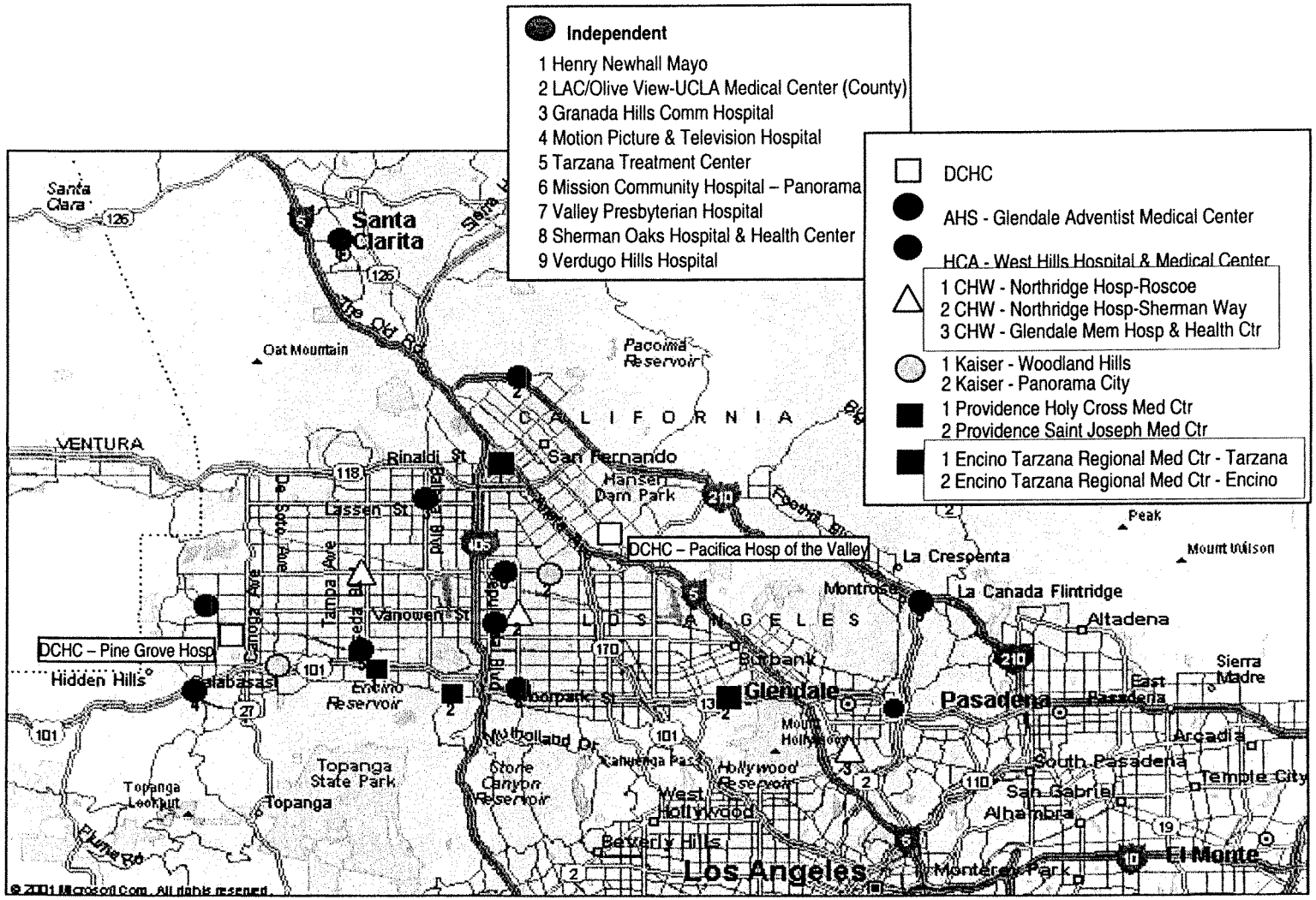
The majority of POV patients can be accommodated across the greater Los Angeles area provider market. However, the transfer of long-term/subacute patients may be more difficult.

AHA Statistics
Selected Los Angeles, CA Hospitals
General Medical and Surgical

	MED/ SURG	PSYCH	SUB ACUTE ADULT	SUB ACUTE PED	Staffed Beds	Admissions	Census	Outpatient Visits
Pacifica Hospital of the Valley	87	36	64	34	221	NR	NR	NR
Encino-Tarzana Regional Medical Ctr-Encino Campus					151	NR	NR	NR
Encino-Tarzana Regional Medical Ctr-Tarzana Campus					239	NR	NR	NR
Glendale Adventist Medical Ctr					457	NR	NR	NR
Glendale Memorial Hospital & Health Ctr					334	15,989	221	108,852
Henry Newhall Mayo					217	9,748	133	65,195
Kaiser Foundation Hospital-Panorama City					117	12,922	110	46,953
Kaiser Foundation Hospital-Woodland Hills					156	12,401	130	41,176
LAC-Olive View - UCLA Medical Ctr					226	NR	NR	NR
Mission Community Hospitals (San Fernando & Panorama City Campuses)					158	4,681	78	28,456
Motion Picture & Television Fund Hospital					218	NR	NR	NR
Northridge Hospital Medical Ctr - Sherman Way					209	NR	NR	NR
Northridge Hospital Medical Ctr - Roscoe Boulevard					412	14,900	219	130,105
Providence Holy Cross Medical Ctr					251	NR	NR	NR
Providence St. Joseph Medical Ctr					427	NR	NR	NR
Sherman Oaks Hospital and Health Ctr					153	4,859	78	37,695
Valley Presbyterian Hospital					290	11,239	157	93,211
Verdugo Hills Hospital					103	5,554	103	77,938
West Hills Hospital & Medical Ctr					236	8,211	114	78,015
Totals					3,946	75,500	969	458,432

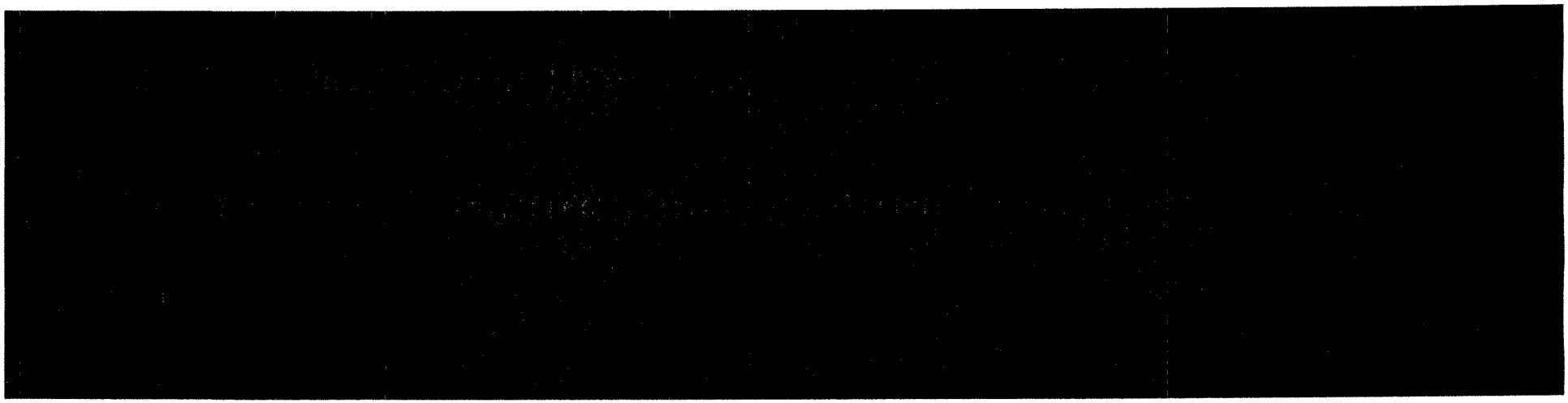
PRELIMINARY

Pacifica Hospital of the Valley:
Map



PRELIMINARY

Huron
CONSULTING GROUP



Experience. Redefined.

BOSTON
CHARLOTTE
CHICAGO
HOUSTON
MIAMI
NEW YORK
SAN FRANCISCO
WASHINGTON D.C.

© Huron Consulting Group. All rights reserved.

Disclaimer

This is intended to clarify Huron Consulting Group LLC's ("Huron") role related to the materials contained herein. Huron has assisted Doctors Community Healthcare Corporation ("DCHC" or the "Company") in analyzing their business and developing a preliminary closure plan for its facilities.

Huron has acted exclusively in an advisory capacity. Huron was not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, Huron does not express such an opinion. Huron does not express an opinion on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation

All financial information presented herein is the sole responsibility of the Company. Huron has necessarily relied on DCHC for the assumptions and information utilized in the various financial analyses presented. In so far as assumptions relate to the future and may be affected by unforeseen events, Huron expresses no opinion on how closely the forecasts will correspond to actual results.

Any material prepared by Huron is solely for the use of DCHC management, lenders and creditor financial and legal advisors and may not be reproduced, summarized or referred to or given to any other party without Huron's prior express permission. In addition, any materials prepared by Huron are to be treated as confidential.

PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $5.5M to $7.0 over the 120 day period required to close Hadley

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2	Month 3	Month 4 Closure	Month 5 30 days post closure	Month 6 60 days post closure	Months 7-16	Total Low Estimate	Total High Estimate
Revenue:										
Gross patient service revenue	$ 3,779,584	$ 2,834,688	$ 1,889,792	$ 944,896	$ 944,896	$ -	$ -	$ -	$ 6,614,272	$ 6,614,272
Deductions from revenue	(1,772,699)	(1,329,525)	(886,350)	(443,175)	(443,175)	-	-	-	(3,102,224)	(3,102,224)
Other revenue	15,563	-	-	-	-	-	-	-	-	-
Total net revenue	2,022,447	1,505,164	1,003,442	501,721	501,721	-	-	-	3,512,048	3,512,048
Operating Expenses:										
Salaries and benefits	969,700	969,700	969,700	484,850	484,850	48,485	48,485	315,865	3,321,936	3,321,936
Supplies	176,323	132,243	88,162	44,081	44,081	-	-	-	308,566	308,566
Professional fees (Medical)	3,500	3,500	3,500	3,500	3,500	-	-	-	14,000	14,000
Provision for uncollectible accounts	112,242	264,154	176,102	88,051	88,051	-	-	-	616,358	616,358
Purchased services	183,570	160,623	137,677	114,731	114,731	-	-	-	527,763	527,763
Repairs and maintenance	12,403	12,403	12,403	12,403	12,403	3,101	3,101	-	55,812	55,812
Insurance	4,476	4,476	4,476	4,476	4,476	4,476	4,476	44,765	71,623	71,623
Utilities	46,698	46,698	46,698	46,698	46,698	35,023	35,023	93,395	350,232	350,232
Rents and Leases	14,380	14,380	14,380	14,380	14,380	14,380	14,380	-	86,278	86,278
Other	8,446	8,446	8,446	8,446	8,446	-	-		33,782	33,782
One Time Closure Expenses	-	-	-	-	-	-	-	3,650,000	3,650,000	5,150,000
Total operating expenses	1,531,737	1,616,622	1,461,543	821,615	821,615	105,465	105,465	4,104,025	9,036,351	10,536,351
EBITDA	$ 490,710	$ (111,458)	$ (458,101)	$ (319,894)	$ (319,894)	$ (105,465)	$ (105,465)	$ (4,104,025)	**$ (5,524,302)**	**$ (7,024,302)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 75% of base month 1, 50% of base month 2, 25% of base months 3 & 4
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice per WARN Act; month 3+4 based on volume relative to baseline with 25% lag relative to volume; months 5+6 address clean-up and storage
Supplies	Estimated as % of net revenue
Professional fees (Medical)	Contracts closed during month 4, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 5+6
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 5+6) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$350,000-700,000	Estimated annual cost of $35,000 to $70,000 for medical records storage requirement based on DCHC current experience. 10 year
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$1,000,000-2,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$450,000-600,000	Assume a one-time cost for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $305k. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice

PRELIMINARY

The wind down of Hadley will occur over 120 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Given the type of patients seen at HMH and the potential closure of Greater Southeast Hospital, patient transfers may be difficult
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Management ability to execute closure work plan

Hadley Memorial Hospital:
Area Hospital Facilities

It may be a challenge to accommodate HMH patients. This challenge would be compounded if Greater Southeast closed at the same time. A closure of HMH closure may be seen as very negative to the community

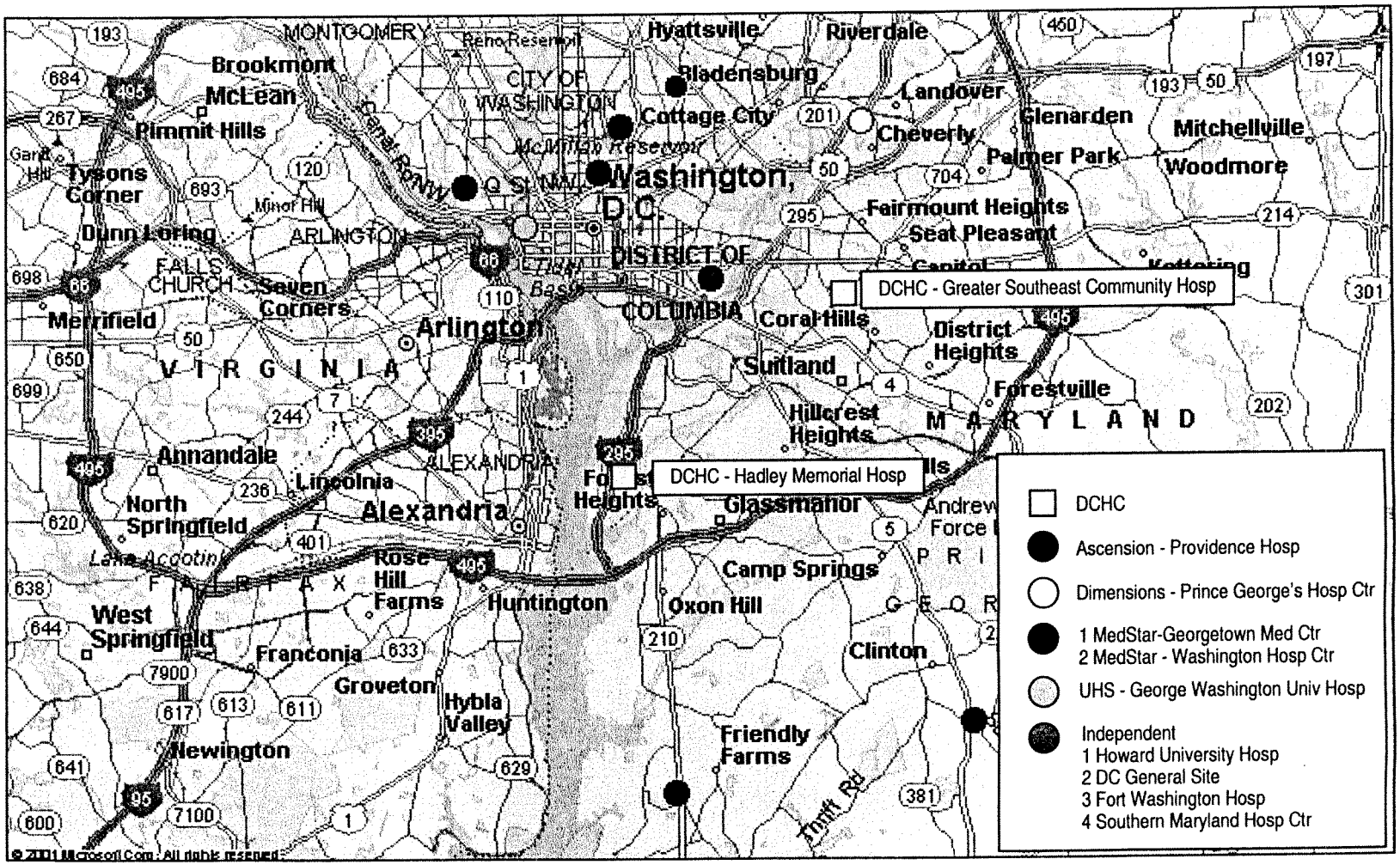
Hospital Bed Analysis

	MED/ SURG	OB/GYN	ICU	NICU	Acute Subtotal	PEDS	PSYCH	OTHER	Total
Greater Southeast Community Hospital	194	22	40	16	272	10	20	32	334
Children's National Medical Center	-	-	18	35	53	115	20	-	188
George Washington University Hospital	201	45	48	21	315	-	20	16	351
Georgetown University Hospital	198	22	38	46	304	30	14	-	348
Howard University Hospital	208	10	30	9	257	16	18	-	291
Providence Hospital	165	32	12	9	218	-	41	-	259
Sibley Memorial Hospital	171	20	14	-	205	-	15	16	236
Washington Hospital Center	581	35	66	20	702	-	36	22	760
Hadley Memorial Hospital - LT Acute Care	-	-	-	-	-	-	-	109	109
National Rehabilitation Hospital	-	-	-	-	-	-	-	156	156
Psychiatric Institute of Washington	-	-	-	-	-	-	104	-	104
St. Elizabeths Hospital	-	-	-	-	-	-	548	-	548
Totals	**1,718**	**186**	**266**	**156**	**2,326**	**171**	**836**	**351**	**3,684**

Source: DCHA Financial Indicators FY 2002

PRELIMINARY

Hadley Memorial Hospital:
Map



PRELIMINARY

Huron
CONSULTING GROUP

[redacted]

Experience. Redefined.

BOSTON
CHARLOTTE
CHICAGO
HOUSTON
MIAMI
NEW YORK
SAN FRANCISCO
WASHINGTON D.C.

© Huron Consulting Group. All rights reserved.

Disclaimer

This is intended to clarify Huron Consulting Group LLC's ("Huron") role related to the materials contained herein. Huron has assisted Doctors Community Healthcare Corporation ("DCHC" or the "Company") in analyzing their business and developing a preliminary closure plan for its facilities.

Huron has acted exclusively in an advisory capacity. Huron was not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, Huron does not express such an opinion. Huron does not express an opinion on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation

All financial information presented herein is the sole responsibility of the Company. Huron has necessarily relied on DCHC for the assumptions and information utilized in the various financial analyses presented. In so far as assumptions relate to the future and may be affected by unforeseen events, Huron expresses no opinion on how closely the forecasts will correspond to actual results.

Any material prepared by Huron is solely for the use of DCHC management, lenders and creditor financial and legal advisors and may not be reproduced, summarized or referred to or given to any other party without Huron's prior express permission. In addition, any materials prepared by Huron are to be treated as confidential.

PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- Key issues not addressed/unknown
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $31.7M to $37.7M over the 60 day period required to close Michael Reese with WARN Act

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2 Closure start to closure end	Month 3 30 days post closure	Month 4 60 days post closure	Months 5-14	Total Low Estimate	Total High Estimate
Revenue:								
Gross patient service revenue	$ 25,785,187	$ 6,250,954	$ 3,125,477	$ -	$ -	$ -	$ 9,376,432	$ 9,376,432
Deductions from revenue	(16,436,142)	(3,984,519)	(2,303,686)	-	-	-	(6,288,206)	(6,288,206)
Other revenue	118,147	-	-	-	-	-	-	-
Total net revenue	9,467,192	2,266,435	821,791	-	-	-	3,088,226	3,088,226
Operating Expenses:								
Salaries and benefits	4,518,330	4,518,330	4,518,330	225,916	225,916	315,865	9,804,358	9,804,358
Supplies	871,143	211,186	105,593	-	-	-	316,779	316,779
Professional fees (Medical)	238,734	238,734	238,734	-	-	-	477,468	477,468
Provision for uncollectible accounts	548,699	539,316	195,552	-	-	-	734,868	734,868
Purchased services	1,162,318	697,391	348,695	-	-	-	1,046,086	1,046,086
Repairs and maintenance	218,009	218,009	218,009	54,502	54,502	-	545,023	545,023
Insurance	415,993	415,993	415,993	33,588	33,588	335,880	1,235,041	1,235,041
Utilities	377,437	377,437	377,437	283,078	283,078	566,155	1,887,183	1,887,183
Rents and Leases	64,525	64,525	64,525	64,525	64,525	-	258,099	258,099
Other	208,566	208,566	208,566	-	-	-	417,132	417,132
One Time Closure Expenses	-	-	-	-	-	21,100,000	21,100,000	28,100,000
Total operating expenses	8,623,753	7,489,486	6,691,433	661,609	661,609	22,317,900	37,822,037	44,822,037
EBITDA	$ 843,439	$ (5,223,051)	$ (5,869,642)	$ (661,609)	$ (661,609)	$ (22,317,900)	**$ (34,733,811)**	**$ (41,733,811)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of baseline month 1, 15% baseline month 2
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice required per WARN Act, months 3+4 salaries to address clean-up and storage requirements; months 5-14 reflect cost of
Supplies	Estimated as % of Net Revenue
Professional fees (Medical)	Contracts closed during month 2, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 3+4
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 3+4) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$1,000,000-2,000,000	Estimated annual cost of $100,000 to 200,000 for medical records storage based on DCHC current experience. 10 Year storage requirement
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	750,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$6,000,000-8,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$12,000,000-16,000,000	Assume a one-time cost of $15 - $17million for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $8.3 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Michael Reese will occur over 60 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Significant risk of governmental/political interference to delay closure
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Impact on graduate medical education/residency program
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Potentially significant increased security expenses
- Management ability to execute closure work plan

PRELIMINARY

Michael Reese:
Area Hospital Facilities

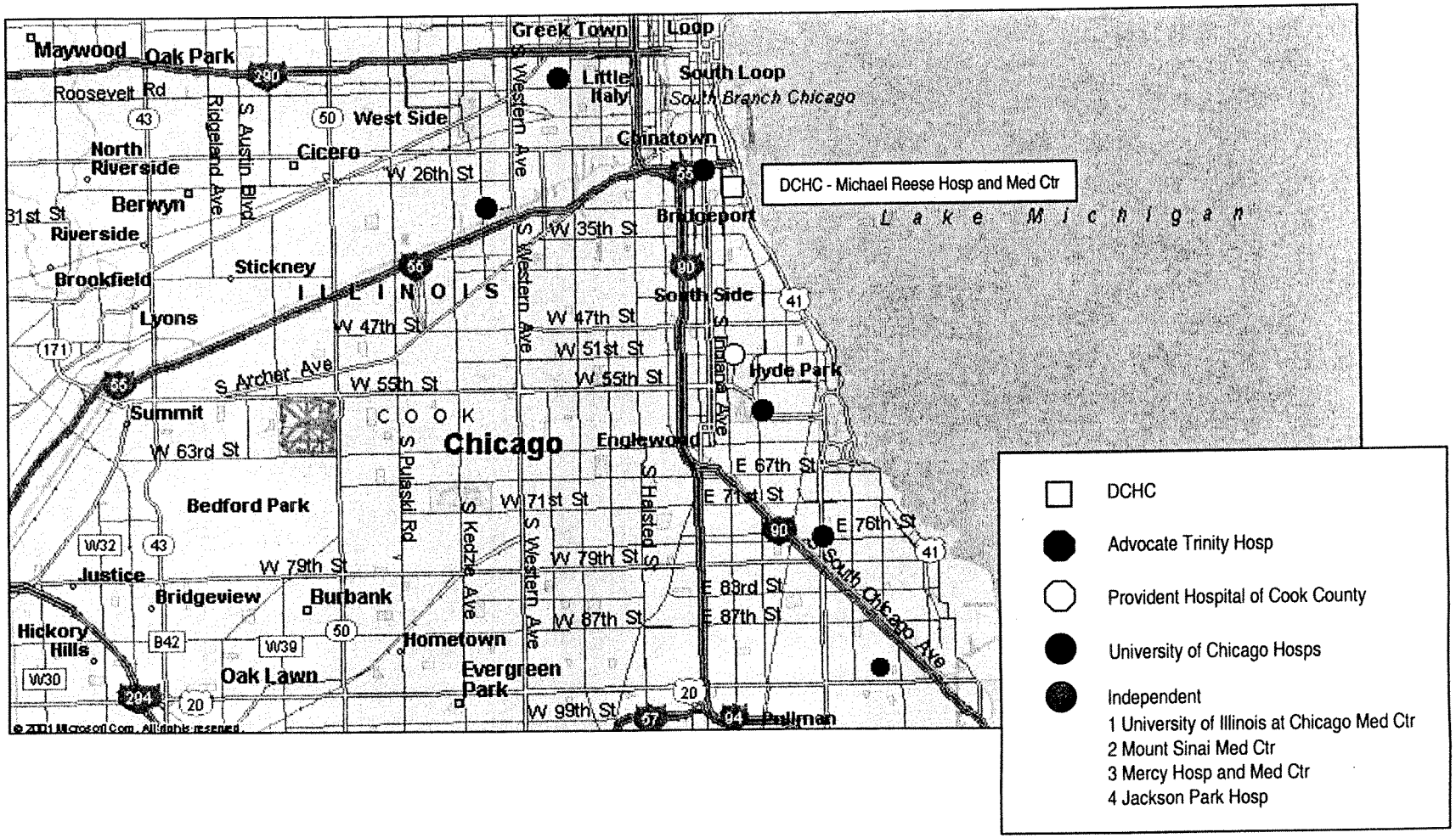
Michael Reese patients can be accommodated across the greater Chicago area provider market. The majority of the patients can be accommodated by close competitors. Additional remaining volume will be absorbed by other local providers.

AHA Statistics
Chicago, IL Hospitals
General Medical and Surgical

	Staffed Beds	Admissions	Census	Outpatient Visits
Michael Reese	364	31,065	173	4,123
Advocate Trinity Hospital	195	12,349	139	90,299
Jackson Park Hospital & Medical Ctr	225	7,980	119	31,547
Mercy Hospital and Medical Ctr	343	14,706	175	NR
Mount Sinai Hospital Medical Ctr of Chicago	296	16,583	215	214,400
Provident Hospital of Cook County	119	6,023	75	135,466
University of Chicago Hospitals	573	26,233	436	499,688
University of Illinois at Chicago Medical Ctr	428	NR	NR	NR
Totals	2,543	83,874	1,159	971,400

PRELIMINARY

Michael Reese Hospital and Medical Center:
Map



PRELIMINARY

Huron
CONSULTING GROUP

[redacted]

Experience. Redefined.

BOSTON
CHARLOTTE
CHICAGO
HOUSTON
MIAMI
NEW YORK
SAN FRANCISCO
WASHINGTON D.C.

© Huron Consulting Group. All rights reserved.

Disclaimer

This is intended to clarify Huron Consulting Group LLC's ("Huron") role related to the materials contained herein. Huron has assisted Doctors Community Healthcare Corporation ("DCHC" or the "Company") in analyzing their business and developing a preliminary closure plan for its facilities.

Huron has acted exclusively in an advisory capacity. Huron was not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, Huron does not express such an opinion. Huron does not express an opinion on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation

All financial information presented herein is the sole responsibility of the Company. Huron has necessarily relied on DCHC for the assumptions and information utilized in the various financial analyses presented. In so far as assumptions relate to the future and may be affected by unforeseen events, Huron expresses no opinion on how closely the forecasts will correspond to actual results.

Any material prepared by Huron is solely for the use of DCHC management, lenders and creditor financial and legal advisors and may not be reproduced, summarized or referred to or given to any other party without Huron's prior express permission. In addition, any materials prepared by Huron are to be treated as confidential.

PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $32.7 to $38.7 over the 60 day period required to close Greater Southeast with WARN Act

	(6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2 Closure start to closure end	Month 3 30 days post closure	Month 4 60 days post closure	Months 5-14	Total Low Estimate	Total High Estimate
Revenue:								
Gross patient service revenue	$ 20,117,936	$ 6,190,134	$ 3,095,067	$ -	$ -	$ -	$ 9,285,201	$ 9,285,201
Deductions from revenue	(11,717,995)	(3,605,537)	(1,802,769)	-	-	-	(5,408,306)	(5,408,306)
Other revenue	1,146,358	-	-	-	-	-	-	-
Total net revenue	9,546,298	2,584,597	1,292,299	-	-	-	3,876,896	3,876,896
Operating Expenses:								
Salaries and benefits	5,718,573	5,718,573	5,718,573	285,929	285,929	315,865	12,324,869	12,324,869
Supplies	1,212,807	373,171	186,586	-	-	-	559,757	559,757
Professional fees (Medical)	529,733	529,733	529,733	-	-	-	1,059,467	1,059,467
Provision for uncollectible accounts	472,530	774,084	387,042	-	-	-	1,161,125	1,161,125
Purchased services	715,491	429,295	214,647	-	-	-	643,942	643,942
Repairs and maintenance	41,287	41,287	41,287	10,322	10,322	-	103,218	103,218
Insurance	404,369	404,369	404,369	33,588	33,588	335,880	1,211,793	1,211,793
Utilities	221,525	221,525	221,525	166,144	166,144	332,288	1,107,627	1,107,627
Rents and Leases	68,000	68,000	68,000	68,000	68,000	-	271,999	271,999
Other	121,694	121,694	121,694	-	-	-	243,389	243,389
One Time Closure Expenses	-	-	-	-	-	17,850,000	17,850,000	23,850,000
Total operating expenses	9,935,594	8,681,732	7,893,457	563,982	563,982	18,834,033	36,537,186	42,537,186
EBITDA	$ (389,295)	$ (6,097,135)	$ (6,601,158)	$ (563,982)	$ (563,982)	$ (18,834,033)	**$ (32,660,291)**	**$ (38,660,291)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of baseline month 1, 15% baseline month 2
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice required per WARN Act, months 3+4 salaries to address clean-up and storage requirements; months 5-14 reflect cost of security
Supplies	Estimated as % of Net Revenue
Professional fees (Medical)	Contracts closed during month 2, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 3+4
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on estimated actual
Utilities	Estimated @ 75% post closure (months 3+4) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$1,000,000-2,000,000	Estimated annual cost of $100,000 to 200,000 for medical records storage based on DCHC current experience. 10 Year storage requirement
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	$3,000,000-4,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$12,000,000-16,000,000	Assume a one-time cost of $15 - $17million for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $8.3 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Greater Southeast Community Hospital will occur over 60 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Potential governmental/political action to delay closure
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Impact on graduate medical education/residency program
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Pending Joint Commission survey of DCHC in December
- Management ability to execute closure work plan

Greater Southeast Community Hospital:
Area Hospital Facilities

GSCH patients can be accommodated across the Washington area provider market; however, there are no other acute care providers in the immediate vicinity

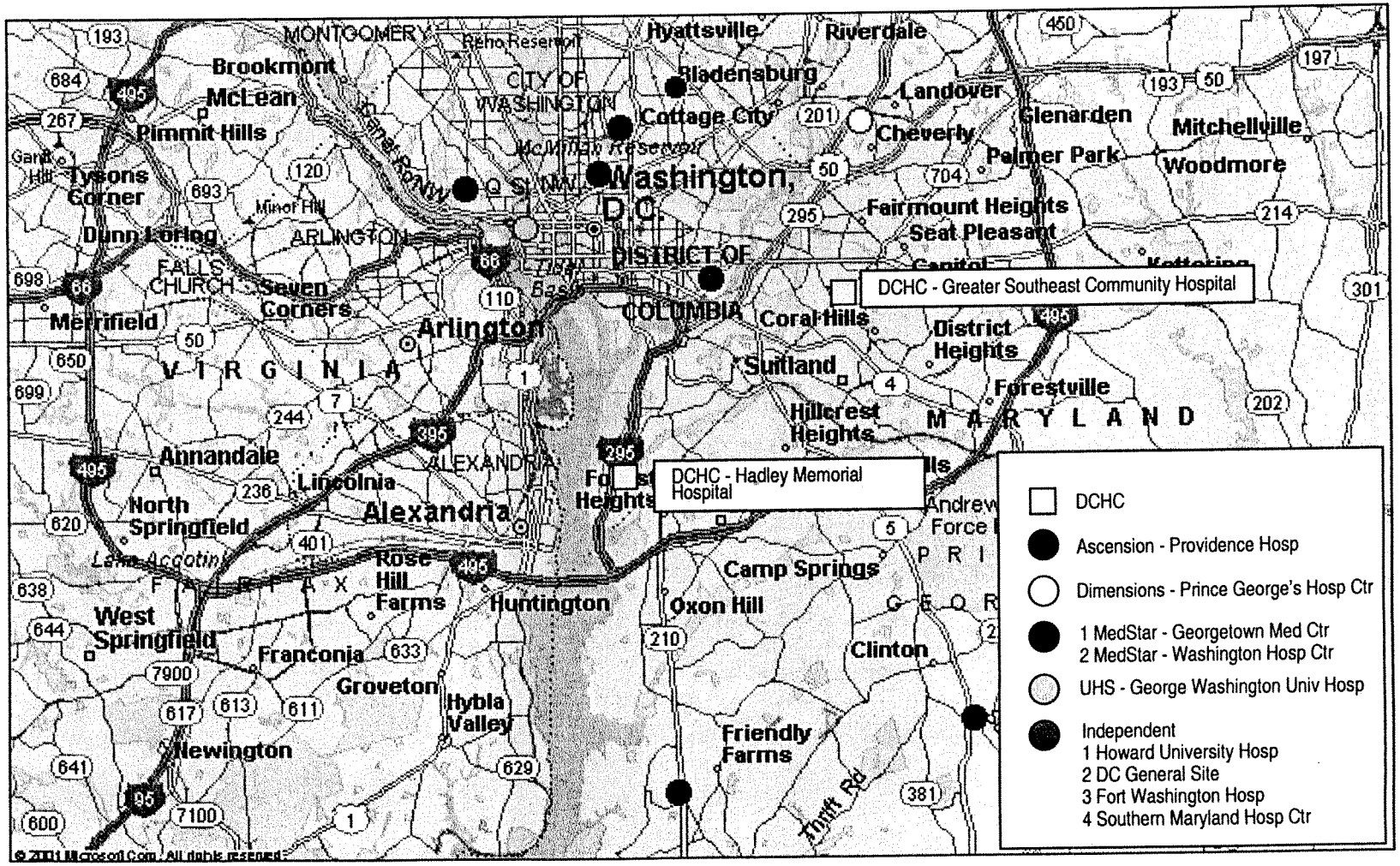
Hospital Bed Analysis

	MED/ SURG	OB/GYN	ICU	NICU	Acute Subtotal	PEDS	PSYCH	OTHER	Total
Greater Southeast Community Hospital	194	22	40	16	272	10	20	32	334
Children's National Medical Center	-	-	18	35	53	115	20	-	188
George Washington University Hospital	201	45	48	21	315	-	20	16	351
Georgetown University Hospital	198	22	38	46	304	30	14	-	348
Howard University Hospital	208	10	30	9	257	16	18	-	291
Providence Hospital	165	32	12	9	218	-	41	-	259
Sibley Memorial Hospital	171	20	14	-	205	-	15	16	236
Washington Hospital Center	581	35	66	20	702	-	36	22	760
Hadley Memorial Hospital - LT Acute Care	-	-	-	-	-	-	-	109	109
National Rehabilitation Hospital	-	-	-	-	-	-	-	156	156
Psychiatric Institute of Washington	-	-	-	-	-	-	104	-	104
St. Elizabeths Hospital	-	-	-	-	-	-	548	-	548
Totals	**1,718**	**186**	**266**	**156**	**2,326**	**171**	**836**	**351**	**3,684**

Source: DCHA Financial Indicators FY 2002

PRELIMINARY

Greater Southeast Community Hospital:
Map



PRELIMINARY

EXHIBIT 7

[Recapitalization Proposal]

PAUL R. TUFT
Doctors Community Healthcare Corporation
6730 North Scottsdale Road, Suite 290
Scottsdale, Arizona 85253

October 16, 2003

Thomas M. Reardon, Esq.
Greenberg Traurig, LLP
One International Place
3rd Floor
Boston, Massachusetts 02110

Deryck A. Palmer, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153

Thomas M. Barry
Cain Brothers
452 Fifth Ave.
New York, New York 10018

Andrew M. Troop, Esq.
Weil, Gotshal & Manges LLP
100 Federal Street, 34th Floor
Boston, Massachusetts 02110

Re: *Management Proposal for Acquisition of Equity of Reorganized Debtors*

Dear Mr. Reardon, Mr. Barry, Mr. Palmer and Mr. Troop:

I, on behalf of myself, certain other members of the management of Doctors Community Healthcare Corporation ("DCHC") and certain other parties identified herein (collectively, the "Management Proposal Proponents"), am pleased to submit the following proposal (the "Management Proposal") to acquire 100% of the equity of DCHC and its subsidiaries Greater Southeast Community Hospital Corporation I ("GSCH-I"); PACIN Healthcare-Hadley Memorial Hospital Corporation ("Hadley"); Michael Reese Medical Center Corporation ("Michael Reese") and Pacifica of the Valley Corporation ("Pacifica") (DCHC, together with Greater Southeast, Hadley, Michael Reese, and Pacifica on and after the Effective Date, collectively, the "Reorganized Debtors") to be issued pursuant to a confirmed bankruptcy plan of reorganization (the "Plan") for the Debtors, all on the terms and conditions set forth herein.

I. Definitions. Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to such terms in the draft Plan prepared by counsel for the Debtors' and transmitted to counsel for Tuft on September 23, 2003.

Management Plan Proponents means Paul R. Tuft, Erich Mounce, Ana Raley, Solanges Vivens, Ermanno Mariani, Tanya Curtis, Casey Fatch, Dr. Steven Bass, and certain other key members of the DCHC senior management team.

Non-Liquidating Debtors means DCHC, GSCH-I, Hadley, Michael Reese and Pacifica.

EXHIBIT 7

Excluded Assets means the Pine Grove Sale Proceeds, the Pine Grove Remaining Assets, the Debtors' claims and causes of action against NCFE and such other assets as may be designated as Excluded Assets by the Management Plan Proponents on or before the Effective Date.

Funding Transactions means the Merrill Lynch Exit Financing Facility, the Sun Exit Financing Facility, the Medline Funding Transaction, the HCRI New Mortgage Loan, the Hadley Hospital Investors Group Equity Transaction, the Pacifica Investment Company - I Equity Transaction, and the Pacifica Investment Company - II Equity Transaction.

Funding Letters mean the Merrill Lynch Exit Financing Facility Letter, the Sun Exit Financing Facility Letter, the Medline Equity Transaction Letter, the HCRI New Mortgage Loan Letter, the Hadley Hospital Investors Group Equity Transaction Letter, the Pacifica Investment Company - I Equity Transaction Letter , the Pacifica Investment Company - II Equity Transaction Letter, and the Greater Southeast Community Hospital Physicians and Community Equity Transaction Letter.

Consummated Funding Transactions means the Funding Transactions that are actually consummated on or before the Effective Date.

Merrill Lynch Exit Financing Facility means the revolving credit facility to be provided to Reorganized DCHC, Reorganized Pacifica, Reorganized Michael Reese and Reorganized Hadley on or before the Effective Date by Merrill Lynch Capital, a division of Merrill Lynch Business Credit, Inc. in substantially on the terms contained in the Merrill Letter. Any description of the Merrill Lynch Exit Financing Facility in this proposal is qualified in its entirety by the Merrill Lynch Exit Financing Letter.

Merrill Lynch Exit Financing Facility Letter means the letter to certain Management Proposal Proponents from Merrill Lynch setting forth the terms of the Merrill Lynch Exit Financing Facility, a copy of which is annexed hereto as exhibit "A".

Sun Exit Financing Facility means the accounts receivable purchase credit facility to be provided to the Reorganized GSCH-I on or before the Effective Date by Sun Capital Healthcare, Inc. substantially on the terms contained in the Sun Exit Financing Letter. Any description of the Sun Exit Financing Facility in this proposal is qualified in its entirety by the Sun Exit Financing Letter.

Sun Exit Financing Letter means the letter to certain of the Management Proposal Proponents from Sun Capital Healthcare, Inc. setting forth the terms of the Sun Exit Financing Facility, a copy of which is annexed hereto as exhibit "B".

Medline Transaction means the transaction by which Medline will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents, release its mortgage on the real property of Michael Reese and waive all of its existing claims against the Debtors in exchange for obtaining title to all the real property and buildings at the Reorganized Michael Reese, a 15 year lease back to Reorganized Michael Reese of such real property and buildings to and a specified portion of the Acquirers' equity of Reorganized DCHC,

substantially on the terms contained in the Medline Transaction Letter. Any description of the Medline Transaction in this proposal is qualified in its entirety by the Medline Transaction Letter.

Medline Funding Transaction means that portion of the Medline Transaction by which Medline will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized DCHC. This summary of the Medline Funding Transaction is qualified in its entirety by the Medline Transaction Letter.

Medline Transaction Letter means the letter to certain of the Management Proposal Proponents from Medline setting forth the terms of the Medline Transaction, including the Medline Funding Transaction, a copy of which is annexed hereto as exhibit "C".

HCRI Refinance Transaction means the transaction by which HCRI will refinance its existing debt on Pacifica and not require the defeasance of its mortgage from the Distribution Trust, on behalf of the Management Plan Proponents. HCRI will provide this refinance facility substantially on the terms contained in the HCRI Refinance Transaction Letter. Any description of the HCRI Refinance Transaction in this proposal is qualified in its entirety by the HCRI Refinance Transaction Letter.

HCRI Refinance Transaction Letter means the letter agreement to certain of the Management Proposal Proponents from HCRI setting forth the terms of the HCRI Refinance Transaction, a copy of which is annexed hereto as exhibit "D".

HCRI New Mortgage Loan means the transaction by which HCRI will make a payment in specified amount to the Distribution Trust on behalf of Management Plan Proponents in exchange for a note from Reorganized Hadley in the amount of the payment, secured by a mortgage on the real property owned by Hadley and GSCH-I, substantially on the terms contained in the HCRI New Mortgage Loan Letter. Any description of the HCRI New Mortgage Loan is qualified in its entirety by the HCRI New Mortgage Loan Letter.

HCRI New Mortgage Loan Letter means the letter to certain of the Management Proposal Proponents from HCRI setting forth the terms of the HCRI New Mortgage Loan, a copy of which is annexed hereto as exhibit "E".

Hadley Hospital Investors Group Equity Transaction means the transaction by which Hadley Hospital Investors Group will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized Hadley, substantially on the terms contained in the Hadley Hospital Investors Group Letter. Any description of the Hadley Hospital Investors Group Equity Transaction in this proposal is qualified in its entirety by the Hadley Hospital Investors Group Equity Transaction Letter.

Hadley Hospital Investors Group Equity Transaction Letter means the letter to certain of the Management Proposal Proponents from Hadley Hospital Investors Group setting forth the

terms of the Hadley Hospital Investors Group Equity Transaction, a copy of which is annexed hereto as exhibit "F".

Pacifica Investment Company - I Equity Transaction means the transaction by which Pacifica Investment Company - I Equity Transaction will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized Pacifica, substantially on the terms contained in the Pacifica Investment Company - I Equity Transaction Letter. Any description of the Pacifica Investment Company - I Equity Transaction in this proposal is qualified in its entirety by the Pacifica Investment Company - I Equity Transaction Letter.

Pacifica Investment Company - I Equity Transaction Letter means the letter to certain of the Management Proposal Proponents from Pacifica Investment Company - I setting forth the terms of the Pacifica Investment Company - I Equity Transaction, a copy of which is annexed hereto as exhibit "G".

Pacifica Investment Company - II Equity Transaction means the transaction by which Pacifica Investment Company - II Equity Transaction will make a payment in a specified amount to the Distribution Trust on behalf of the Management Plan Proponents in exchange for a specified portion of the Acquirers' equity of Reorganized DCHC, substantially on the terms contained in the Pacifica Investment Company - II Equity Transaction Letter. Any description of the Pacifica Investment Company - II Equity Transaction is qualified in its entirety by the Pacifica Investment Company - II Equity Transaction Letter.

Pacifica Investment Company - II Equity Transaction Letter means the letter to certain of the Management Proposal Proponents from Pacifica Investment Company - II setting forth the terms of the Pacifica Investment Company - II Equity Transaction, a copy of which is annexed hereto as exhibit "H".

Durairaj Capital Investment Transaction means the transaction by which S.K. Durairaj, M.D. will contribute a specified amount of capital to Reorganized DCHC in exchange for a specified portion of the Acquirers' equity of Reorganized DCHC, substantially on the terms contained in the Durairaj Capital Investment Transaction Letter. Any description of the Durairaj Capital Investment Transaction is qualified in its entirety by the Durairaj Capital Investment Transaction Letter. The Durairaj Capital Investment Transaction is not a Funding Transaction. However, at the election of the Management Proposal Proponents in the exercise of their sole discretion, and only to the extent necessary to enable the Management Proposal Proponents to satisfy their commitment to make the minimum payment to the Distribution Trust required under paragraph II.B.1.b of this proposal, the Durairaj Capital Investment Transaction may, with the consent of Dr. Durairaj, be converted to a Funding Transaction such that the funds to be contributed by Dr. Durairaj, would be paid on behalf of the Management Plan Proponents to the Distribution Trust instead of to Reorganized DCHC.

Durairaj Capital Investment Transaction Letter means the letter to certain of the Management Proposal Proponents from S.K. Durairaj, M.D. setting forth the terms of the Durairaj Capital Investment Transaction, a copy of which is annexed hereto as exhibit "I".

Curtis Capital Investment Transaction means the transaction by which Tanya Curtis will contribute a specified amount of capital to Reorganized GSCH-I in exchange for a specified portion of the Acquirers' equity of Reorganized GSCH-I, substantially on the terms contained in the Curtis Capital Investment Transaction Letter. Any description of the Curtis Capital Investment Transaction is qualified in its entirety by the Curtis Capital Investment Transaction Letter. The Curtis Capital Investment Transaction is not a Funding Transaction. However, at the election of the Management Proposal Proponents in the exercise of their sole discretion, and only to the extent necessary to enable the Management Proposal Proponents to satisfy their commitment to make the minimum payment to the Distribution Trust required under paragraph II.B.1.b of this proposal, the Curtis Capital Investment Transaction may, with the consent of Ms. Curtis, be converted to a Funding Transaction such that the funds to be contributed by Ms. Curtis, would be paid on behalf of the Management Plan Proponents to the Distribution Trust instead of to Reorganized GSCH-I.

Curtis Capital Investment Transaction Letter means the letter to certain of the Management Proposal Proponents from Tanya Curtis setting forth the terms of the Curtis Capital Investment Transaction, a copy of which is annexed hereto as exhibit "J".

Beckmann Letter means the memorandum of understanding between Dr. Enrique Beckmann and certain Management Proposal Proponents regarding, among other things, the equity structure of Reorganized Michael Reese, a copy of which is annexed hereto as Exhibit "K".

II. Basic Transaction.

A. Assets to be Acquired. One or more persons or entities designated by the Management Proposal Proponents (the "Acquirers") would acquire, free and clear of all liens, claims, encumbrances and liabilities (except for those liabilities designated herein as "Assumed Liabilities" that the Acquirers agree the Reorganized Debtors shall assume under the Plan), pursuant to the Plan, 100% of the equity of the Reorganized Debtors, with the Reorganized Debtors retaining all assets owned by the Non-Liquidating Debtors as of the Effective Date, except for those assets designated herein as "Excluded Assets", which shall not be retained by the Reorganized Debtors.

The Management Proposal is a unified proposal for the acquisition of the equity of all of the Reorganized Debtors and is not to be construed as a series of severable proposals for acquisition of equity on an entity-by-entity basis.

B. Consideration.

1. Cash Contribution. The Management Proposal Proponents will cause the greater of (a) all of the net proceeds of each of the Consummated Funding Transactions in an amount not to exceed $61,400,000 or (b) $ 42,000,000 be paid to the Distribution Trust on or before the Effective Date. In addition, $6.95 million in cash proceeds from the previously

consummated sale of Pine Grove Hospital (less sales commissions) would be available for payment to the Distribution Trust on or before the Effective Date.

2. Restructuring of Certain Secured Claims. The Management Proposal Proponents have caused HCRI and Medline to agree that their secured claims against the Debtors shall be satisfied by the Reorganized Debtors in the manner set forth in the respective agreements between those creditors and the Management Proposal Proponents, and that those creditors shall not have any recourse against the Distribution Trust. The Management Proposal Proponents agree to cause the foregoing restructuring commitments of HCRI and Medline to remain in effect through the Effective Date.

3. Assumption of Ordinary Course Administrative Expense Claims. The Management Proponents agree that all administrative expense obligations incurred in the ordinary course of business of the Debtors since the Petition Date, but unpaid as of the Effective Date shall be assumed by the Reorganized Debtors and paid by the Reorganized Debtors in accordance with their terms or on such other terms as may be agreed to by the Reorganized Debtors and the holder of a particular administrative expense claim. The Reorganized Debtors will not assume or pay the fees and expenses of those professionals engaged by the Debtors and the Committee (other than those engaged by the Debtors as ordinary course professionals) in connection with the bankruptcy cases.

4. Assumption of Certain Prepetition Unsecured Claims. The Management Proposal Proponents agree that the following prepetition unsecured claims against the Debtors shall be assumed by the Reorganized Debtors and paid by the Reorganized Debtors in accordance with their terms or on such other terms as may be agreed to by the Reorganized Debtors and the holder of a particular claim: (a) All Medical Malpractice Claims, to the extent not covered the Debtors' medical malpractice insurance, (b) All prepetition obligations owed to third party payers that are susceptible to set off or recoupment against future amounts due from those third party payers, (c) amounts owed to the Health Care Finance Administration in an amount not to exceed $1.8 million relating to the prepetition conversion of a set off obligation to a promissory note, and (d) All accrued and unpaid prepetition employee benefit obligations.

5. Curing of Defaults on Executory Contracts and Unexpired Leases. The Management Proposal Proponents agree that the Reorganized Debtors shall be responsible for paying within the later of (a) 60 days after the Effective Date and (b) the date of entry of an order resolving any disputed cure amount, any costs to cure defaults on executory contracts and unexpired leases to be assumed under the Plan.

6. Reduction of Other Prepetition Claims. The Management Proposal Proponents agree to negotiate with certain other holders of prepetition claims against the Debtors not already listed above as claims to be assumed by the Reorganized Debtors with respect to the continued provision of goods and/or services to the Reorganized Debtors for the purposes of obtaining waivers or reductions of claims against the Distribution Trust.

7. Waiver of Claims held by Management. The Debtors' officers and directors agree the Plan may provide a deemed waiver and release of any and all prepetition

Claims held by them against the Debtors other than indemnity claims for claims asserted against them as officers and directors of the Debtors.[1]

III. Capital Structure and Corporate Governance of Reorganized Debtors.

A. Capital Structure. The Management Proposal Proponents agree that, subject to consummation of each of the Funding Transactions applicable to the respective Reorganized Debtor, the equity of the Reorganized Debtors shall be allocated as follows:

1. DCHC. The existing equity of DCHC shall be cancelled and, pursuant to the terms of the Medline Transaction Letter, Reorganized DCHC shall issue to Medline a specified amount of preferred shares convertible to common stock, representing, at the time of issuance, a 20% ownership interest in Reorganized DCHC (on a fully diluted basis). Pursuant to the Durairaj Capital Investment Transaction Letter and the Pacifica Investment Company - II Equity Transaction Letter, Reorganized DCHC shall issue shares of common stock, (a) equating to 1.5% of the common stock of Reorganized DCHC, to Pacifica Investment Company - II. and (b) equating to 10% of the common stock of Reorganized DCHC to Dr. Durairaj. Reorganized DCHC shall also issue the remaining common stock to Paul Tuft and Erich Mounce. Each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized DCHC. No other common stock of Reorganized DCHC is proposed to be issued in connection with confirmation of the Plan.

2. Pacifica. Pursuant to the terms of the Pacifica Investment Company - I Letter, Reorganized Pacifica shall issue shares of common stock to Pacifica Investment Company - I, or such other number of shares of common stock to Pacifica Investment Company - I as is required for Pacifica Investment Company - I to own twenty percent (20%) of the common stock of Reorganized Pacifica and Reorganized DCHC to own eighty percent (80%) of the common stock of Reorganized Pacifica. Reorganized DCHC and Pacifica Investment Company - I shall enter into a mutually agreeable agreement that entitles Pacifica Investment Company - I to acquire from the Reorganized DCHC its remaining interest of Pacifica after three years at its then-current market value. If Pacifica Investment Company - I does not exercise its option after three years and 90days, the Reorganized DCHC is granted an option to purchase all the interest in Pacifica held by Pacifica Investment Company – I, at its then-current market value. All common stock of Reorganized Pacifica shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized Pacifica.

3. Michael Reese. Pursuant to the Beckmann Letter, Reorganized Michael Reese shall issue shares of common stock to Dr. Enrique Beckmann in amount sufficient for Dr. Beckmann to own twenty percent (20%) of the common stock of Reorganized Michael Reese. The remaining shares of Reorganized Michael Reese shall be issued to Reorganized DCHC. Reorganized DCHC and Dr. Beckmann shall enter into a mutually agreeable agreement that

[1] Attached as Exhibit "L" is an accounting of prepetition claims to be assumed by the Reorganized Debtors or for which the Reorganized Debtors will attempt to obtain waivers or reductions. As of the date of this letter, $533 million in prepetition claims have been identified as claims that would either be assumed by the Reorganized Debtors or for which the Reorganized Debtors will attempt to obtain waivers or reductions. The $533 million figure includes medical malpractice claims, claims arising from executory contracts and unexpired leases (other than leases from NCFE), certain secured lenders and trade payables.

entitles Dr. Beckmann to acquire from Reorganized DCHC the latter's interest of Michael Reese after three years at its then-current market value. All common stock of Reorganized Michael Reese shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized Michael Reese. The foregoing description of the agreement between Dr. Beckmann and the Management Plan Proponents regarding the equity structure of Reorganized Michael Reese is qualified in its entirety by the Beckmann Letter.

4. GSCH-I. Reorganized GSCH-I shall issue shares of common stock to (a) Tanya Curtis in amount sufficient for Ms. Curtis to own five percent (5%) of the common stock of Reorganized GSCH-I and (b) Reorganized DCHC in amount sufficient for Reorganized DCHC to own ninety-five percent (95%) of the common stock of Reorganized GSCH-I. Out of its allocation of stock of Reorganized GSCH-I, Reorganized DCHC is reserving up to 15% of the issued and outstanding stock of Reorganized GSCH-I for sale to physicians of the Reorganized GSCH-I medical staff and certain community members, provided, however, that Ms. Curtis shall have a right of first refusal at fair market value with respect to any proposed sales. Reorganized DCHC shall have a right of first refusal at fair market value with respect to any proposed sales by Ms. Curtis of her shares of Reorganized GSCH-I. All common stock of Reorganized GCSH-I shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of GSCH-I. The foregoing description of the agreement between Ms. Curtis and the Management Plan Proponents regarding the equity structure of Reorganized GSCH-I is qualified in its entirety by the Curtis Capital Investment Transaction Letter.

5. Hadley. Reorganized Hadley shall issue shares of common stock to Hadley Hospital Investors Group, or such other number of shares of common stock to Hadley Hospital Investors Group as is required for Hadley Hospital Investors Group to own twenty percent (20%) of the common stock of Reorganized Hadley and Reorganized DCHC to own eighty percent (80%) of the common stock of Hadley. Reorganized DCHC and Hadley Hospital Investors Group shall enter into a mutually agreeable agreement that entitles Hadley Hospital Investors Group to acquire from the Reorganized DCHC its interest in Hadley after three years at its then-current market value. If Hadley Hospital Investors Group does not exercise its option after three years and 90 days, Reorganized DCHC shall have the option to purchase all the interests in Hadley held by Hadley Hospital Investors Group, at its then-current market value. All common stock of Reorganized Hadley shall be voting common stock and each share of common stock shall be entitled to one vote for all matters submitted to shareholders of Reorganized Hadley.

B. Corporate Governance.

The boards of directors and the officers of the Reorganized Debtors shall be as follows:

GSCH-I. The Board of Directors of the Reorganized GSCH-I will consist of at least 11 members. Following is a list of the persons identified as members to date:

- Pedro Alfonso, Chairman, Director and local businessman
- Alma Arrington Brown, Director, Finance / Management

- Ike Fulwood, Director, Community Member, Retired; Former DC Chief of Police
- Pierpont Mobley, Director, Community Member, H.R. / Management
- Carl Jones, Director, PG County Resident, Entrepreneur, businessman
- Scott Burr, M.D., Director, Anesthesiologist, GSCH Medical Staff Member
- Edward Potter, M.D., Director, Chief of Medical Staff GSCH
- Ernestine Caldwell-Howard, Director, Professor, Healthcare Management
- Velma Lewis, RN, MSN, Director, Acting Nursing Director, GSCH
- Joan Phillips, Hospital Administrator and one DCHC representative
- Tanya Curtis, Independent Businessperson and Investor

Additional directors may be named. A complete list of officers and directors of GSCH-I will be forthcoming.

Hadley. The Board of Directors of the Reorganized Hadley will consist of at least 8 members. Following is a list of the members identified to date:

- Solanges Vivens, Chairman, Community Member, President of the DC Association of Long Term Care and local businesswoman
- Janine Finck-Boyle, Hadley Administrator – Ex Officio
- Ana Raley – Vice Chairman and Secretary
- Asghar Shaigany, M.D. President of the Medical Staff
- LTAC Director
- SNF Medical Director
- Geraldine Law, KIDS R US, Community Member
- Member, Community Member to be determined
- DCHC Representative, Vice President

A complete list of officers and Directors shall be forthcoming.

Michael Reese. The Board of Directors of the Reorganized Michael Reese will consist of 14 members. Following is a list of the members identified to date:

- Enrique Beckmann, M.D.
- Jim Abrams, Medline Industries
- Members, Physician Members to be determined
- Members, Community Members to be determined
- DCHC Representative, Vice President

A complete list of officers and Directors shall be forthcoming.

Pacifica. The Board of Directors of the Reorganized Pacifica will consist of at least 5 members. These members are as follows:

- S.K. Durairaj, M.D.
- Ermanno Mariani, M.D.
- Casey Fatch, Hospital Administrator
- Member, Community Members to be determined
- Members, Physician Members to be determined
- DCHC Representative, Chairman

A complete list of officers and Directors shall be forthcoming.

The following individuals, who shall serve as officers and directors of the Reorganized Debtors, are currently insiders of the Debtors:

Ermanno Mariani: Pacifica & DCHC

Erich Mounce: DCHC

Enrique Beckmann, M.D. Michael Reese

Paul Tuft: DCHC, Michael Reese, Pacifica

IV. Structure of Plan.

This Proposal is conditioned in its entirety upon confirmation of the Plan, which, unless waived in writing by the Management Plan Proponents, must contain the following provisions as well as any other provisions reasonably necessary or appropriate to effectuate the following provisions.

A. "Pot Plan". The Plan must provide for the creation of the Distribution Trust to receive the Cash Contribution and from which distributions shall be made to NCFE and holders of General Unsecured Claims on account of their respective claims. The Plan must provide that, other than those claims arising from Assumed Liabilities, the Reorganized Debtors shall not be responsible for making distributions to creditors on account of their claims.

B. Release of Liens. The Plan must provide that, as of the Effective Date, all assets of the Non-Liquidating Debtors shall vest in the Reorganized Debtors free and clear of all liens, claims, encumbrances other than liens agreed to by the Reorganized Debtors in connection with Consummated Funding Transactions.

C. Treatment of NCFE Ownership Claims. The Plan must provide that, as of the Effective Date, assets subject to NCFE Ownership Claims shall vest in the Reorganized Debtors free and clear from the NCFE Ownership Claims.

D. Treatment of Equity Interests. The Plan must provide that, as of the Effective Date, all Equity Interests of the Non-Liquidating Debtors will be terminated, cancelled and of no further force and effect

E. Executory Contracts and Unexpired Leases. The Plan must provide the Management Proposal Proponents with sole authority to determine which executory contracts and unexpired leases shall be assumed under the Plan.

F. Litigation Trust. The Plan must provide for the establishment of the Litigation Trust to prosecute the claims and causes of action of the Debtors included among the Excluded Assets, with the consideration from the resolution of any claims transferred to the Litigation Trust paid over, net of the Litigation Trustee's reasonable administrative expenses, to the Distribution Trust. The Litigation Trust shall be funded with $3 million paid from the Distribution Trust.

G. Releases and Exculpations. The Plan shall provides that the Debtors shall release their officers, directors, employees and shareholders (the "Released Parties") from any and all claims the Debtors may have against them. This release shall include a release of any and claims for loans made to the Released Parties, provided that this release shall not include claims against Mel Redman or other individuals who were officers and directors of the Debtors prior to, but at no point after, the commencement of the Debtors' chapter 11 cases. The Plan must also provide that creditors who vote in favor of the Plan and accept distributions under the Plan shall be deemed to have released any direct claims that they might have against the Released Parties related to the Debtors. Notwithstanding the foregoing, the release by the Debtors and by creditors of the Released Parties shall also effectuate a release of claims by the Debtors against third parties by only to the extent that any such third party has a claim for indemnification against the Released Parties for contribution and/or indemnification. Thus, by way of example only, if the Debtors have a claim against a third party for $100, but that third party has an indemnification or contribution claim against any or all of the Released Parties for $50, the Debtors' claims against the third party shall be deemed released to the extent of $50.

V. Conditions to Closing.

The closing of this proposal is contingent upon the occurrence of each of the following conditions:

A. Consummation of the each of the Funding Transactions substantially on the terms contained in the Funding Transaction Letters;

B. Closing on the HCRI Refinance Transaction substantially on the terms contained in the HCRI Refinance Transaction Letter;

C. Closing on the Medline Transaction substantially on the terms contained in the Medline Transaction Letter;

D. Closing on the Durairaj Capital Investment Transaction and the Curtis Capital Investment Transaction substantially on the terms contained in the Durairaj Capital Investment Transaction Letter and Curtis Capital Investment Transaction Letter;

E. Confirmation of the Plan containing each of the provisions contained in Article IV of this letter;

F. Receipt by the Distribution Trust and of the net proceeds of the Funding Transactions.

G. The Effective Date must occur before December 15, 2003.

The Management Proposal Proponents reserve the right to waive one or more of the foregoing conditions.

VI. Binding Proposal, Deposit, Break-Up Fee, Documentation of Funding Transactions.

The Management Proposal Proponents agree that, upon their payment of the Management Proposal Good Faith Deposit, this letter may be considered a binding proposal. The Management Proposal shall expire and be of no further force and effect upon the earlier of (i) the conclusion of the Auction to be held in accordance with the Bidding Procedures approved by the Bankruptcy Court, and (ii) the close of business on December 1, 2003 unless accepted by the Debtors on or before such time.

In the event of a default by the Management Proposal Proponents of any obligations undertaken by them under the Management Proposal, the sole remedy of the Debtors and the Committee against the Management Proposal Proponents shall be the termination of the Management Proposal and forfeiture of any deposit posted by the Management Proposal Proponents in connection with the proposal.

On or before October 29, 2003, the Management Proposal Proponents shall cause a payment of $1 million (the "Management Proposal Good Faith Deposit") to be made to a party to be designated by the Debtors, to be held on deposit in accordance with the Bidding Procedures. It is a condition of this Management Proposal that, upon receipt of the Management Proposal Good Faith Deposit, the Management Proposal shall be designated by the Debtors as the "Stalking-Horse Bid" under the Bidding Procedures.

In the event the Management Proposal becomes the "Stalking-Horse Bid" on account of submission of the Management Proposal Good Faith Deposit, but not consummated by reason of acceptance of a subsequent higher and better offer or set of offers, the Management Plan Proponents shall be entitled to receive, in addition to a refund of the Management Proposal Good

Faith Deposit, a break-up fee payable from the proceeds of the purchase price paid by the winning bidder(s). The break-up fee shall be in the amount of the lesser of (i) 2% of the Cash Contribution specified in paragraph II.B.1 of this proposal and (ii) $800,000.

Upon acceptance of this Management Proposal, the services of the Debtors' professionals shall be utilized to prepare definitive documentation for the Funding Transactions, Medline Transaction, the HCRI Refinance Transaction and the Durairaj Capital Investment Transaction, as well as such other documentation as may be necessary to effect the Management Proposal.

Sincerely,

/s/ Paul R. Tuft

Paul R. Tuft

EXHIBIT 7(A)

[Revolving Credit Facility Letter from Merrill Lynch for Pacifica, Michael Reese and Hadley]

EXHIBIT "A"

Garrett Fletcher
Vice President

Merrill Lynch Capital

1399 New York Ave., NW
Suite 700
Washington, DC 20005
(202) 654-6659
FAX (202) 654-6631
gfletcher@exchange.ml.com

Merrill Lynch

October 9, 2003

Steve Dietlin
Chief Financial Officer
Doctors Community HealthCare Corp.
6730 N. Scottsdale Rd, #200
Scottsdale, AZ 85253

Re: DCHC Financing

Dear Mr. Dietlin,

We are pleased to advise you that Merrill Lynch Capital ("Lender" or "MLC") will consider establishing a revolving line of credit facility (the "Loan") with the relevant entities (collectively "Borrower") involved with the purchase of Pacifca of the Valley Hospital, Michael Reese Hospital and Medical Center and Hadley Memorial Hospital (collectively, the "Facilities") from the bankrupt estate of Doctors Community HealthCare Corp. The purpose of the Loan will be to provide financing for Borrower's acquisition of the Facilities and for Borrower's ongoing working capital needs. Please note that any funding under this proposal is subject to due diligence, legal documentation and credit committee approval.

Maximum Loan Amount: The maximum amount of advances under the Loan shall be $35,000,000. The amount available to Borrower under the Loan at any one time shall be based upon the Availability (as described below).

Availability: Availability under the Loan shall be an amount up to 85% of the "net collectable value" of the accounts receivable from third-party payors. The "net collectible value" of Borrower's accounts receivable is the amount Borrower bills third party payors less contractual allowances and bad debt as determined by Lender's on-site due diligence.

Term: Three years

Interest and Fees:

(a) Interest on the outstanding balance of the Loan shall be payable monthly in arrears at an annual rate of one month Libor plus 450 basis points, reset monthly. Interest on the outstanding balance shall be calculated on the basis of the actual number of days elapsed in a 360 day year. Collections of cash by Lender under the Loan shall be credited to Borrower's

obligations thereunder on a daily basis, subject to five business clearance days.

(b) Borrower shall pay Lender an unused line fee of .042% per month of (a) the Maximum Loan Amount; less (b) the average outstanding loan balance. The unused line fee shall be payable monthly in arrears.

(c) Borrower shall pay Lender a commitment fee of 1.50% of the Maximum Loan Amount, which shall be payable at closing.

(d) Borrower shall pay Lender an annual administrative agent fee of $75,000.

(e) Borrower shall pay Lender a monthly collateral management fee of $10,000.

Other Terms:

(a) Borrower shall maintain and pay for a Lock Box Account mutually satisfactory to Borrower and Lender for Borrower's cash collections.

(b) Lender shall receive an opinion from Borrower's counsel satisfactory to Lender.

Security: The Loan shall be secured by a first priority perfected lien on, and security interest in, all existing and future accounts receivable and proceeds thereof and all other available assets of Borrower. Additionally, the Loan shall be secured by second mortgages on all real property of Borrower.

Financial Covenants: Borrower shall maintain a Fixed Charge Coverage Ratio of no less than 1.20:1:00 measured on a quarterly basis.

Loan Documents: Borrower shall execute and deliver to Lender such loan and security agreements, instruments, documents, certificates, opinions and assurances as are reasonable and customary for similar loans, and as Lender may reasonably require in connection with the closing of the Facility.

Break Fee: In connection with the requested Loan, Borrower understands that Lender will continue to make financial, legal and collateral investigations and determinations. Consequently, if Lender provides Borrower with a commitment to provide financing pursuant to terms and conditions outlined herein and Borrower does not consummate the transaction, Borrower shall pay Lender liquidated damages equal to $350,000 (the "Break Fee"), in addition to any deposit(s) previously paid to Lender. Borrower acknowledges that such liquidated damages are intended to compensate Lender for its estimated added administrative costs incurred and the amount of damage sustained by Lender as a result of Borrower's decision to decline to accept the Loan.

THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY AND DOES NOT IMPLY IN ANY WAY A COMMITMENT BY MLC TO LEND OR AN OFFER TO UNDERWRITE, BUT RATHER A PROPOSAL TO PROCEED WITH FURTHER REVIEW OF THIS TRANSACTION, WHICH SUCH REVIEW MAY BE TERMINATED BY MLC IN ITS SOLE DISCRETION. MLC will make the loan summarized above, only upon the written acceptance by MLC of a loan application completed by Borrower, further due diligence and underwriting of the transaction, final approval through MLC's credit approval process, MLC's continuing satisfaction with the financial and business conditions of the Borrower and Principals, and upon receipt of documentation and assurances satisfactory to MLC and its legal counsel. The above described terms and conditions are not intended to be an inclusive list of the conditions that may be attached to any loan approvals of the proposed loan.

If you would like MLC to continue reviewing your loan request, please indicate so by accepting this proposal on the space set forth below and return it to me. Upon receipt of the signed letter we will immediately begin due diligence and MLC's credit process. We appreciate the opportunity to furnish this proposal to you. If you have any questions, please do not hesitate to call.

Sincerely,

Garrett Fletcher
Vice President
Merrill Lynch Capital

EXHIBIT 7(B)

[Accounts Receivable Purchase Credit Facility Letter from Sun Capital Healthcare, Inc. for Greater Southeast]

EXHIBIT "B"

SUN CAPITAL HealthCare, Inc.

The Rx For Bright Cash Flow Solutions™

Medical Receivable Funding

Medical Billing & Collections

Medical Finance, Management & Consulting

Medical Equipment Leasing

Mr. Steve Dietlin
Doctors Community Healthcare Corp.
Dba. Greater Southeast Community Hospital
6720 N. Scottsdale Rd., Ste. 390
Scottsdale, AZ 85253

October 2, 2003

Dear Mr. Dietlin:

Sun Capital Healthcare, Inc. ("Sun Capital"), is pleased to provide the attached proposal for the purchase of accounts receivable from Doctors Community Healthcare Corp., dba. Greater Southeast Community Hospital ("Provider"). This proposal is conditioned upon the performance of its final due diligence, underwriting and legal reviews. The following proposed terms and conditions are offered for your consideration:

General Proposed Terms

1. Arrangement: Purchasing of eligible third party payable accounts receivable generated by the Provider in the ordinary course of its business, including, but not limited to third party payors with the following exceptions:

a) Only primary insurance claims will constitute valid collateral.
b) Any claim which has been outstanding for a period longer than 90 days from the date of service is not eligible for purchase. In addition, any purchased claim that is not paid in full within 150 days from the date service shall constitute an "Ineligible Account".
c) No personal injury claims will be allowed unless fully adjudicated and pending insurance company payment.
d) Certain payor claims with inadequate claims paying capability will be disallowed for purchase.

Concentration tests limiting disproportionate percentages of types & third party claims will be established.

2. Provider Qualifications

The Provider will be subject to a review process covering the following three areas:

a) A review of the billing and information management systems of the provider.
b) An analysis of :
- the current accounts receivable of the Provider
- the historic cash collection history on accounts receivable by third party payor. This enables a calculation of the Net Collectible Amount for collateral purposes.
c) A review of the provider's overall financial condition to assure adequate liquidity and long term financial stability exist.

929 Clint Moore Road
Boca Raton, FL 33487

Telephone: (561) 995-9615
Facsimile: (561) 994-4937

Toll-free Numbers
Telephone: (800) 880-1709
Facsimile: (800) 645-1942

www.suncapitalinc.com

3. Provider's Servicing Responsibilities: The provider or its servicing agent will be responsible for complete account billing including claim eligibility verification, claim preparation and submission, claim adjudication, payment monitoring and claim substitution.

4. Provider Representations and Warranties:
The Provider will be obligated to make representations and warranties applicable to each purchased account receivable.

5. Security Interest: Sun Capital shall be granted an exclusive first lien security interest with respect to all accounts receivable and proceeds thereof.

6. Credit Facility: Minimum volume of $4,000,000 (estimated) per month, with a maximum of $12,000,000 (estimated) outstanding.

7. Advance Rate: The maximum advance rate for the purchase of accounts receivable will be up to 80% of the estimated Net Collectible Amount of each purchased account.

8. Discount Rate and Fees:
a) Accounts receivable will be purchased on a regular basis
b) The purchase discount fee will be .083% daily of the Net Collectible Amount of the purchased accounts receivable for the first 150 days.
c) At the 151st day the rate shall be 15%.
d) The fee shall be calculated from the date of purchase by Sun Capital allowing for (5) five business days for collection.

9. Lockbox Arrangement: Sun Capital Healthcare and Provider will enter into one or more lockbox agreements with Sun Capital Healthcare's primary preferred financial institution to receive the payments of accounts.

10. Term of Agreement: One year committed contract with an automatic renewal. 60 day notification at the end of the first year to cancel.

11. Due Diligence Fees:
a) a non-refundable fee of $1,250 is to be paid with the execution of this proposal to cover the cost of underwriting
b) field exams including Medicare/Medicaid review, third party billing procedures and collateral audit, the results of which must be acceptable to Sun Capital, will be performed
c) an estimated audit fee is $25,000 will be paid by client
d) ½ of the audit fee ($12,5000) is due with Letter of Intent

SUN CAPITAL HealthCare, Inc.

12. Management Reports: Client account reports will be generated weekly on Fridays. These reports shall include:

a) Detailed aging
b) Purchase and Advance report
c) Collection report
d) Reserve report

13. Account Debtors: All account debtors are subject to final credit review.

14. Additional Requirements: There must be no adverse change in Provider's financial condition or the financial information submitted to Sun Capital Healthcare prior to funding. This proposal is delivered to Provider with the understanding that neither it nor its substance shall be disclosed to any third party, except those who are in confidential relationships with seller, such as its financial advisor, legal counsel or accountant.

Please acknowledge receipt and acceptance of the afore-mentioned stated terms and conditions by signing below and returning the executed document to my attention along with initial total fees of $13,750 and requested documents.

This document is valid until October 15, 2003.

Sincerely,

Lawrence Leder
Executive VP & Chief Financial Officer

Agreed and Accepted By:

_____
Sign Name Here

_____
Print Name Here

_____
Date

SUN CAPITAL HealthCare, Inc.

EXHIBIT 7(C)

[Real Estate Purchase Transaction Letter from Medline Industries, Inc. committing to the purchase, among other things, of the real property of Michael Reese]

EXHIBIT "C"

MEDLINE

Medline Industries, Inc.
www.medline.com

One Medline Place
Mundelein, Illinois 60060-4486

1.847.949.5500
Toll Free
1.800.MEDLINE

HIGHLY CONFIDENTIAL

September 29, 2003

Michael Reese Medical Center Corporation
c/o Mr. Paul Tuft
2929 South Ellis Avenue
Chicago, Illinois 60616-3376

Dear Mr. Tuft:

Medline Industries, Inc. is pleased to submit this non-binding proposal for the acquisition of the land and related buildings and facilities (the "Property") and the business of the Michael Reese Medical Center in the context of the Chapter 11 proceeding of Michael Reese Medical Center Corporation ("Seller"). The acquisition would be effectuated pursuant to a sale of assets, and assumption of certain liabilities, pursuant to Seller's plan of reorganization (the "New Value Plan"). The Property would be acquired by Medline, an affiliate of Medline, or its designee ("Purchaser"). Upon its acquisition of the Property, the Purchaser shall lease the medical facility to Seller, in its capacity as a qualified operator, for continued operation as a medical facility. Therefore, certain assets and obligations relating to the operation of the medical facility, such as leases, contracts with physician practice groups, collective bargaining agreements and other contracts the Seller elects to assume, would be assumed by the Seller pursuant to the New Value Plan.

1. Purchase of Assets. The Purchaser will purchase the Property free and clear of all liens, and the Seller would acquire certain assets relating to the operation of the medical facility pursuant to the New Value Plan. In connection with this transaction, the Purchaser will not assume any contracts or other liabilities, other than certain specifically listed operating liabilities and contracts.

2. Purchase Price. The purchase price will be $24 million, consisting of the satisfaction of approximately $18 million of indebtedness owed by Seller to Purchaser and the remainder in cash. The purchase price will be subject to adjustment for variances in specified working capital items between September 29, 2003 and the date of closing. The cash purchase price would be funded from cash on hand, and the transaction would not be subject to a financing contingency.

3. Purchase Agreement and Lease Agreement. The transaction would be effectuated pursuant to a definitive asset purchase agreement (the "Purchase Agreement"), a definitive lease agreement (the "Lease Agreement") and related transaction documents containing customary representations, warranties and covenants (including pre-closing conduct of business and nonsolicitation), conditions to closing and termination as are customary in a sale pursuant to a plan of reorganization and consistent with the general terms described in this letter.

4. Approvals and Conditions. This proposal is subject to, among other things, access to all necessary information from Seller, the satisfactory completion of our diligence work, the approval by our Board of Directors, and the negotiation of mutually acceptable definitive documentation. We would expect that a proposed transaction can be presented to our Board of Directors promptly after our diligence work is completed. Both the Purchase Agreement and the Lease Agreement would be subject to customary conditions, including confirmation of the New Value Plan, the receipt of necessary governmental or third party consents and the continuing accuracy of representations and warranties.

5. Employees. We would expect that the Seller, as operator of the medical facility, would make offers of employment to most of the current employees of the medical facility.

6. Timing and Process. Upon acceptance by Seller of this letter, the parties will immediately commence (a) the completion of due diligence review of the assets contemplated to be purchased hereunder, (b) the negotiation of the definitive agreements between the parties, and (c) our review and approval of the New Value Plan as it relates to the parties' agreements. We expect that, upon your execution of this letter, you would provide us with access to all necessary further documents, records, personnel and advisors, so that we can complete our due diligence investigation, subject to customary confidentiality arrangements.

We have retained Sidley Austin Brown & Wood LLP as our counsel in connection with this proposed transaction. They are available to work closely with you and your advisors on an expedited basis toward the negotiation of the Purchase Agreement and the Lease Agreement.

This proposal is not legally binding, except that the provisions of the two immediately following paragraphs will be binding on the parties. Subject to each party employing its best efforts, as applicable, to fulfill the conditions referred to in Section 4 hereof, neither party will be obligated to enter into definitive agreements, and the proposed transaction may be abandoned without any obligation or liability by either party prior to the execution of the Purchase Agreement and the Lease Agreement, in the event that an applicable condition set forth in Section 4 has not been fulfilled. Each party will bear its own costs and expenses incurred in connection with the proposed transaction, including, without limitation, the fees and expenses of its agents, advisors, legal counsel and accountants.

This proposal is delivered to you on the understanding that this letter shall not be disclosed, directly or indirectly, to any other person except (a) to Seller's or our officers, agents and advisors who are directly involved in the consideration of this matter, (b) to the official creditors committee of Seller and its advisors in connection with the facilitation of the proposed transaction, (c) to Seller's financing sources, and (d) as may be compelled in a judicial or administrative proceeding or as otherwise required by law, rule, regulation (in which case the party compelled to so disclose this letter agrees to inform the other party in writing promptly thereof).

We are excited about the opportunity to proceed with this potential transaction. If you are in agreement with the foregoing, please execute the enclosed copy of this letter and return it to the undersigned not later than 12:00 noon, Central time, on September 25, 2003. We look forward to working with you and your management team.

Yours truly,

MEDLINE INDUSTRIES, INC.

By: _____
Name: James M. Abrams
Title: COO

Agreed and accepted,

MICHAEL REESE MEDICAL CENTER CORPORATION

By: _____
Name:
Title:

EXHIBIT 7(D)

[Refinance Transaction Letter from Health Care REIT, Inc. committing to the refinancing of debt of Pacifica]

EXHIBIT "D"

October 6, 2003

VIA FACSIMILE: 480-948-7104

Paul Tuft, Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road, Suite 290
Scottsdale, Arizona 85253

Re: Refinancing Commitment

Dear Mr. Tuft:

We understand that you and other members of the management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court"), Case No. 02-2250 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

Health Care REIT, Inc. ("HCN") hereby makes the following proposal, in the context of the New Value Plan, to refinance the mortgage loan ("Existing Loan") provided by HCN that is currently outstanding in favor of, and secured by property owned by, Pacifica of the Valley Hospital Corporation ("Pacifica"), one of the DCHC Companies (as refinanced, the "New Loan"), subject to the execution and delivery of definitive documentation in a form acceptable to each of HCN, Pacifica and DCHC, and to each of the other terms and conditions set forth in this letter and the definitive documentation:

1. Borrower: Pacifica.

2. Loan Amount: Amount needed to refinance the Existing Loan, less the $500,000 Principal Paydown (as defined in paragraph 10 hereof), the escrow reserve account held by HCN in the amount of $222,625.07 (plus interest that has accrued from and after August 31, 2003) and the letter of credit escrow account held by HCN in the amount of $144,786.03.

3. Term: Three (3) years.

4. Amortization: Ten (10) years with a final balloon payment at the end of the three year term.

5. Interest Rate and Exit Fee: Twelve percent (12%) fixed for the first year. Thirteen percent (13%) fixed for the second year. Fourteen percent (14%) fixed for the third year. Calculation method 365/360. In addition to the payment of principal and interest, Borrower shall pay an exit fee of one percent (1%) if the loan is repaid during the first, an exit fee of two percent (2%) if the loan is repaid during second year or an exit fee of three percent (3%) if the loan is repaid during the third year.

6. Bundled Exercises: All loans from HCN to Borrower or to DCHC will have coterminous maturity dates and prepayment/termination periods, so that Borrower's or DCHC's decision to prepay or terminate

Health Care REIT, Inc. • One SeaGate • Suite 1500 • P.O. Box 1475 • Toledo, Ohio 43603-1475 • Telephone (419) 247-2800 • Telecopier (419) 247-2826

any loan from HCN will be the same for all loans. Accordingly, Borrower's or DCHC's exercise of the right to prepay this Loan shall automatically be an exercise of the right to prepay the Hadley Loan, as hereinafter defined.

7. Payment of Principal and Interest: Payments of principal and interest shall be made monthly with any remaining amounts of unpaid principal, interest and other amounts provided for under the loan documents paid at maturity.

8. Default Interest and Late Fees: Late fee of five percent (5%) of any late principal or interest payment. Default interest rate set at greater of [a] eighteen and one-half percent (18.5%) per annum or [b] applicable nondefault rate plus two and one-half percent (2.5%) per annum.

9. Post-Petition Interest: Post-petition interest shall be paid in full in cash on the effective date of the Chapter 11 plan (which shall be the Closing Date of the New Loan), at the applicable default rate, as an administrative claim out of the bankruptcy estate.

10. Payment on Closing Date: Five Hundred Thousand Dollars ($500,000.00) principal paydown ("Principal Paydown") plus all amounts listed on Schedule A attached hereto.

11. Cross Collateral and Cross Default: The Loan shall contain terms to cross default this Loan with the loan ("Hadley Loan") provided by HCN to Pacin Healthcare-Hadley Memorial Hospital, Corp. ("Hadley") and to grant HCN a security interest to secure this Loan in the collateral granted by Hadley to HCN in connection with the Hadley Loan.

12. Guaranty: This loan shall be secured by the joint and several guaranty of Care Medical Group, Inc., DCHC, Paul Tuft and Erich Mounce.

13. Warrants: Existing DCHC warrants in favor of HCN to be terminated.

14. Loan Covenants: Financial covenants to be substantially similar to existing covenants. Other covenants to be consistent with HCN current practice.

15. Security: The obligations of Borrower will be secured by: [i] first lien on receivables, except that HCN's lien on receivables and related collateral may be subordinate to the lien granted to a working capital lender, provided that such lender enters into a commercially reasonable intercreditor agreement with HCN; [ii] first mortgage in Pacifica Hospital of the Valley facility; [iii] first mortgage in the hospital facility known as Greater Southeast Community Hospital in Washington, DC; [iv] collateral assignment of $1,000,000.00 life insurance policy on the life of Paul Tuft; and [v] collateral assignment of $5,000,000.00 split dollar life insurance policy on the life of Paul Tuft.

16. Consolidation of Loans: HCN, at its sole discretion shall have the right to consolidate this Loan with the loan to Pacin Healthcare-Hadley Memorial Hospital, Corp. ("Hadley Loan"). At HCN's request, Borrower and DCHC shall execute such documents as are required to effectuate the consolidation of this Loan with the Hadley Loan. In the event of such consolidation, at HCN's option, DCHC shall become the Borrower and provide all appropriate collateral as set forth herein.

17. Closing Fee: One percent (1%) of the principal amount of the New Loan, payable in cash at closing of the New Loan.

18. Conditions: The proposal set forth herein is conditioned upon the following: (1) Chapter 11 Plan, as confirmed, and the New Value Plan contained therein, must be acceptable in all respects to HCN in

HCN's sole discretion; (2) the order confirming the Chapter 11 Plan must be acceptable to HCN in HCN's sole discretion and must have become final and non-appealable; (3) HCN must be satisfied with the results of its due diligence, in HCN's sole discretion including but not limited to the business plan for DCHC; (4) definitive documentation of the New Loan consistent with HCN's current requirements must be signed and delivered to HCN and must be in form and substance acceptable to HCN in HCN's sole discretion; (5) no material adverse change in the business, operations, financial condition or prospects of Pacifica (or the debtors taken as a whole), measured from the date of this letter; (6) approval by HCN's Board of Directors; (7) the loan documents and the plan of reorganization and confirmation order shall contain provisions acceptable to HCN providing that in the event Borrower becomes subject to future bankruptcy proceedings and any default exists under the Loan (whether such default arose before or after the commencement of such proceedings), HCN shall be entitled to immediate relief from the automatic stay to foreclose on its collateral and/or to exercise any other rights and remedies relating to its collateral as are available under the loan documents or applicable law. Borrower will irrevocably stipulate in advance to this relief and agrees not to seek any injunction or other court order that would delay or impair this relief; and (8) satisfaction of such other conditions as are usual and customary in secured financing transactions of health care facilities and which will be set forth in the definitive documentation for the New Loan.

This Commitment Letter supersedes all prior discussions, agreements, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the State of Ohio, without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of HCN (and any purported assignment without such consent shall be null and void).

The commitment set forth in this Commitment Letter is intended to be solely for the benefit of its addressee and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended and no condition herein may be waived except by an instrument in writing signed by HCN.

This Commitment Letter shall expire if all of the conditions set forth herein have not been satisfied by December 1, 2003.

DCHC and Pacifica are responsible for all transaction costs including legal counsel to lender and Borrower.

To evidence your agreement with the foregoing, please sign, date and return a copy of this Commitment Letter.

Very truly yours,

HEALTH CARE REIT, INC.

By: _____
Raymond W. Braun
President and Chief Financial Officer

Accepted and Agreed to by:

DOCTORS COMMUNITY HEALTHCARE CORPORATION

By: _____

Title: _____

PACIFICA OF THE VALLEY HOSPITAL CORP.

By: _____

Title: _____

cc: George Chapman
Erin Ibele
Chris Simon
Rachel Watson
Tracy Carte
Chris Urban
Mike Bernstein
Kathy Kress

SCHEDULE A TO COMMITMENT LETTER

All Legal Fees Incurred by HCN through Closing of the New Loan	$500,000*
Real Estate Taxes as of 8/31/03	$689,796
Estimated Additional penalties on taxes	$50,000**
Other Fees (appraisals, etc.)	$29,524
Reimbursement Consultant	$20,000
Closing Costs	$92,500***

* HCN estimates total legal fees incurred through end of August, 2003 at $300,000. Debtor to pay total legal fees and expenses of HCN through closing of New Loan.
** This is an estimate. Debtor to pay actual amount of taxes and penalties incurred through closing.
*** This is an estimate. Debtor to pay actual amount of closing costs.

EXHIBIT 7(E)

[New Mortgage Loan Letter from Health Care REIT, Inc. for Pacifica]

EXHIBIT "E"

October 6, 2003

VIA FACSIMILE: 480-948-7104

Paul Tuft, Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road, Suite 290
Scottsdale, Arizona 85253

Re: Financing Commitment

Dear Mr. Tuft:

We understand that you and other members of the management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court"), Case No. 02-2250 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

Health Care REIT, Inc. ("HCN") hereby proposes, in the context of the New Value Plan, to provide a mortgage loan to Borrower secured by the Hadley Memorial Hospital in Washington, DC, subject to the execution and delivery of definitive documentation containing standard HCN terms and conditions and in a form acceptable to each of HCN, DCHC and Borrower, and subject to each of the other terms and conditions set forth in this letter and the definitive documentation.

1. Borrower: Pacin Healthcare-Hadley Memorial Hospital, Corp. ("Borrower").

2. Loan Amount: $5,000,000.00

3. Term: Three (3) years.

4. Amortization: Five (5) years with a final balloon payment at the end of the three year term.

5. Interest Rate and Exit Fee: Twelve percent (12%) fixed for the first year. Thirteen percent (13%) fixed for the second year. Fourteen percent (14%) fixed for the third year. Calculation method 365/360. In addition to the payment of principal and interest, Borrower shall pay an exit fee of one percent (1%) if the loan is repaid during the first, an exit fee of two percent (2%) if the loan is repaid during second year or an exit fee of three percent (3%) if the loan is repaid during the third year.

6. Bundled Exercises: All loans from HCN to Borrower or to DCHC will have coterminous maturity dates and prepayment/termination periods, so that Borrower's or DCHC's decision to prepay or terminate any loan from HCN will be the same for all loans. Accordingly, Borrower's or DCHC's exercise of the right to prepay this Loan shall automatically be an exercise of the right to prepay the Hadley Loan, as hereinafter defined.

Health Care REIT, Inc. • One SeaGate • Suite 1500 • P.O. Box 1475 • Toledo, Ohio 43603-1475 • Telephone (419) 247-2800 • Telecopier (419) 247-2826

7. Payment of Principal and Interest: Payments of principal and interest shall be made monthly with any remaining amounts of unpaid principal, interest and other amounts provided for under the loan documents paid at maturity.

8. Default Interest and Late Fees: Late fee of five percent (5%) of any late principal or interest payment. Default interest rate set at greater of [a] eighteen and one-half percent (18.5%) per annum or [b] applicable nondefault rate plus two and one-half percent (2.5%) per annum.

9. Cross Collateral and Cross Default: The Loan shall contain terms to cross default this Loan with the loan ("Pacifica Loan") provided by HCN to Pacifica of the Valley Hospital Corporation ("Pacifica") and to grant HCN a security interest to secure this Loan in the collateral granted by Pacifica to HCN in connection with the Pacifica Loan.

10. Guaranty: The Loan shall be secured by a joint and several guaranty from DCHC, Paul Tuft and Erich Mounce.

11. Warrants: Existing DCHC warrants in favor of HCN to be terminated.

12. Loan Covenants: Financial covenants to be substantially similar to existing Pacifica covenants. Other covenants to be consistent with HCN current practice.

13. Security: The obligations of Borrower will be secured by: [i] first lien on receivables, except that HCN's lien on receivables and related collateral may be subordinate to the lien granted to a working capital lender, provided that such lender enters into a commercially reasonable intercreditor agreement with HCN; [ii] first mortgage in the Facility; [iii] first mortgage in the hospital facility known as Greater Southeast Community Hospital in Washington, DC; [iv] collateral assignment of $1,000,000.00 life insurance policy on the life of Paul Tuft; and [v] collateral assignment of $5,000,000.00 split dollar life insurance policy on the life of Paul Tuft.

14. Additional Investment: The Loan shall be conditioned upon an investment in Borrower by Ana Raley of at least $1,000,000.00.

15. Consolidation of Loans: HCN, at its sole discretion shall have the right to consolidate this Loan with the Pacifica Loan. At HCN's request, Borrower and DCHC shall execute such documents as are required to effectuate the consolidation of this Loan with the Pacifica Loan. In the event of such consolidation, at HCN's option, DCHC shall become the Borrower and provide all appropriate collateral as set forth herein.

16. Closing Fee: One percent (1%) of the principal amount of the New Loan, payable in cash at closing of the New Loan.

17. Conditions: The proposal set forth herein is conditioned upon the following: (1) Chapter 11 Plan, as confirmed, and the New Value Plan contained therein, must be acceptable in all respects to HCN in HCN's sole discretion; (2) the order confirming the Chapter 11 Plan must be acceptable to HCN in HCN's sole discretion and must have become final and non-appealable; (3) HCN must be satisfied with the results of its due diligence, in HCN's sole discretion including but not limited to the business plan for DCHC; (4) definitive documentation of the New Loan consistent with HCN's current requirements must be signed and delivered to HCN and must be in form and substance acceptable to HCN in HCN's sole discretion; (5) no material adverse change in the business, operations, financial condition or prospects of Borrower (or the debtors taken as a whole), measured from the date of this letter; (6) approval by HCN's

Board of Directors; (7) the loan documents and the plan of reorganization and confirmation order shall contain provisions acceptable to HCN providing that in the event borrower becomes subject to future bankruptcy proceedings and any default exists under the Loan (whether such default arose before or after the commencement of such proceedings), HCN shall be entitled to immediate relief from the automatic stay to foreclose on its collateral and/or to exercise any other rights and remedies relating to its collateral as are available under the loan documents or applicable law. Borrower will irrevocably stipulate in advance to this relief and agrees not to seek any injunction or other court order that would delay or impair this relief; and (8) satisfaction of such other conditions as are usual and customary in secured financing transactions of health care facilities and which will be set forth in the definitive documentation for the New Loan.

This Commitment Letter supersedes all prior discussions, agreements, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the State of Ohio, without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of HCN (and any purported assignment without such consent shall be null and void).

The commitment set forth in this Commitment Letter is intended to be solely for the benefit of its addressee and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended and no condition herein may be waived except by an instrument in writing signed by HCN.

This Commitment Letter shall expire if all of the conditions set forth herein have not been satisfied by December 1, 2003.

DCHC and Borrower are responsible for all transaction costs including legal counsel to lender and borrower.

To evidence your agreement with the foregoing, please sign, date and return a copy of this Commitment Letter.

Very truly yours,

HEALTH CARE REIT, INC.

By: _____
Raymond W. Braun
President and Chief Financial Officer

Accepted and Agreed to by:

DOCTORS COMMUNITY HEALTHCARE CORPORATION	**PACIN HEALTHCARE-HADLEY MEMORIAL HOSPITAL CORP.**
By: _____	*By:* _____
Title: _____	*Title:* _____

cc: George Chapman
Erin Ibele
Chris Simon
Rachel Watson
Tracy Carte
Chris Urban
Mike Bernstein
Kathy Kress

EXHIBIT 7(F)

[Equity Transaction Letters of Hadley Hospital Investors Group, LLC]

EXHIBIT "F"

PART I

Hadley Hospital Investors Group, LLC
c/o Ana Raley & Solanges Vivens
5444 Nevada Ave., N.W.
Washington, D.C. 20015

September 27, 2003

Paul Tutt
Chief Executive Officer
Doctors Community Healthcare Corporation
6750 North Scottsdale Road
Suite 270
Scottsdale, Arizona 85253

Re: Equity Commitment

Dear Mr. Tutt:

We understand that you and other members of management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the district of Columbia (the "Bankruptcy Court") Case No. 02-2350 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative plan within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

Ana Raley and Solanges Vivens (hereinafter known as the Hadley Hospital Investors Group or "HHIG") hereby make the following proposal, exclusively as part of the New Value Plan and not in respect of any alternative plan in the Chapter 11 Plan, regarding an equity investment by HHIG in Hadley Memorial Hospital, Inc., one of the DCHC Companies and currently a wholly-owned subsidiary of DCHC ("Hadley"), all subject to the execution and delivery of a definitive agreement to be negotiated in good faith by HHIG, DCHC and Hadley.

- HHIG will purchase 20.0% of the common stock of Hadley from DCHC for a purchase price of $1,000,000 (the "Equity Transaction"). An initial payment of $250,000 in the form of a certified check shall be delivered to DCHC on or before October 8, 2003, with the balance to be payable on or before the effective date of the Chapter 11 Plan (the "Effective Date").

- DCHC shall grant HHIG an option, exercisable for 90 days commencing on the third anniversary of the closing of the Equity Transaction, to purchase all of the

shares of Hadley common stock held by DCHC at the time of exercise for an exercise price equal to the fair market value of such shares.

4. HHG shall grant DCHC an option, exercisable at any time following the failure of HHG to exercise the option referred to in Section 2 hereof, to purchase all of the shares of Hadley common stock held by HHG at the time of exercise for an exercise price equal to the fair market value of such shares.

5. Hadley and DCHC shall execute a management agreement that will be negotiated in good faith between Hadley and DCHC.

6. DCHC shall be entitled to elect one director to the Board of Directors of Hadley, with the remaining seats to be elected by HHG. The board of Directors of Hadley shall consist of five members. The Hadley director elected by DCHC will retain veto voting rights for: (i) issuing any new debt in excess of $150,000, (ii) changes in the reorganized articles and bylaws, and (iii) changes in negotiated management agreements.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the State of Arizona without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of HHG (and any purported assignment without such consent shall be null and void).

The Commitment set forth in this Commitment Letter is intended to be solely for the benefit of you and your management team in connection with the New Value Plan and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended or waived except by an instrument in writing signed by HHG.

Very truly yours,

By: Ana Raley
Ana Raley

By: _____
Solanges Vivens

EDELMAN
FINANCIAL SERVICES
INCORPORATED

September 24, 2003

Mr. Tom Barry
Mr. Tom Reardon
Drs. Community Health Care Corp.
6730 North Scottsdale Road
Suite 290
Scottsdale, AZ 85253

Re: Ana Raley

Per request of Ana Raley this letter is to confirm that she has available $500,000 for investment.

Sincerely,

Kelsey Williams
Senior Planner

Securities offered through Royal Alliance Associates, Inc. Member NASD, SIPC
Royal Alliance and The Edelman Financial Center group of companies are not affiliated.

Financial Planning
Retirement Planning
Estate Planning
Asset Management
Insurance
Financial Education

Ric Edelman, CFS, RFC, ChFC, CRC
James S. Baker, CPA, CFP®
Cindee M. Berar, MBA, RFC, CRC
John J. Buban, CFP®
Martin E. Corso, CFP®, CLU, ChFC
John M. Davis, RFC
Mary S. Davis, CFP®, CRC
Patrick Day, CFP®
Kristine Dunar Chaze, RFC
Joseph T. Gilmore, RFC, CRC
Diane DeNaples Jansen, MS, CFP®
Jan E. Kowal, CPA, CFP®
Andrew Massaro, CFP®, CFS, CRC
Edward P. Moore, CFP®
Betty J. O'Lear, MBA, CFP®
Douglas M. Rabil, CFP®, CRC
Reynold N. Roy, CFP®
R. Kelsey Williams, RFC, CRC
Thomas W. Wood, CFP®, CLU, ChFC

Tune in to
Ric Edelman at
www.ricedelman.com

Mondays at 7PM — NEWS 8 CHANNEL

NEWSTALK WMAL AM 630 — Saturdays at 10AM

Ric Edelman is an employee of WMAL. Edelman Financial Services Inc. is not affiliated with ABC Radio, WMAL, or Newschannel 8.

THE EDELMAN FINANCIAL CENTER
INCORPORATED
GROUP OF COMPANIES

Edelman Financial Services Inc.
Edelman Mortgage Services Inc.
Edelman Business Services Inc.

12450 Fair Lakes Circle
Lobby Level - Suite 200
Fairfax, VA 22033-3808

703.818.0800

800.221.6597
FAX 703.818.1910

ANA MARIA RALEY, RN, MSN, LNHA

5444 Nevada Avenue, NW, Washington, D.C. 20015, 202/362-7842

PROFESSIONAL EXPERIENCE

DOCTORS COMMUNITY HEALTHCARE CORPORATION 1998-2002

Chairman & President, CommunityCare
Greater Southeast Community Hospital, Hadley Memorial Hospital/Skilled Nursing Facility and DC General Ambulatory and Emergency Centers, Washington, DC, November 2001 - December 2002

Responsible to the Board of Trustees for the implementation of established policies in the operation of the Hospital and for selecting, employing, controlling and for developing and maintaining personnel policies and practices for the Hospital. Monitors DC Healthcare Alliance contract expenditures against the contract budget. Uses knowledge of the program to make budget and funding projections. Collaborates with the District of Columbia, Department of Health to provide health services to the Department of Corrections patients per contract. Identifies cost-effective methods of providing primary care, disease prevention and health promotion to DC Healthcare Alliance members. Ensures timely submission of all required reports to the DC Department of Health. Assists with the development of strategies for the expenditures of capital construction funds provided under the DC Healthcare Alliance contract for Greater Southeast Community Hospital and DC General. Meets with city officials, community organizations and other approved parties as required to promote the DC Healthcare Alliance program and to respond to information requests. Prepares presentations for hearings before the DC City Council.

Chief Executive Officer
Greater Southeast Community Hospital and Hadley Memorial Hospital/Skilled Nursing Facility, Washington, DC, December 1999 - November 2001

Responsible for the overall direction and daily operation of the hospital as well as guiding the hospital's crucial turnaround. Consolidating specific clinical units to better utilize staff resources. Replacing agency nurses with staff nurses to enhance patient care while reducing personnel costs. Developing an innovative house officers program staffed by a multidiscipline team of physicians, nurse practitioners, and physician assistants who serve as a resource to patients and physicians. Recruiting, retaining and increasing the number of physicians affiliated with Greater Southeast. Restructuring management of the emergency department to improve patient flow and care. Expanding the capacity of the behavioral health program to further address a growing need for inpatient and outpatient substance abuse treatment; and building an active spirit of teamwork that results in employees working together to provide the best in quality healthcare.

Administrator
Hadley Memorial Hospital and Skilled Nursing Facility, Washington, DC, 1995 - 1999

Responsible for overall direction and daily operation of the hospital and the skilled nursing unit. Responsible for construction of new operating rooms, procedure rooms, cardio-pulmonary units and additional 38 skilled bed unit.

Administrator
Hadley Memorial Hospital Skilled Nursing Unit, Washington, DC, April 1993 - 1999

Overall responsibility for the daily operations of the Skilled Nursing Unit. Responsible for expansion of unit, CON preparation, construction and renovation.

GREATER SOUTHEAST CENTER FOR THE AGING 1983-1993

Associate
Greater Southeast Consulting, Inc., Washington, D.C., November 1989 – March 1993

Provide consultative and management services in the areas of facilities licensure and management, CON applications, Quality Assurance and nursing services.

Senior Vice President
Greater Southeast Center for the Aging, Washington, D.C., December 1987 – March 1993

Responsible for the overall direction of the programs of the Center for the Aging and its management contracts comprising of the following: Health Care Institute, Stoddard Baptist Nursing Home, Livingston Health Care Center, Multi-Service Senior Center. Responsibilities include budgeting and fiscal management, personnel, policy making, and resource and new venture development.

Vice President for Inpatient Services
Greater Southeast Center for the Aging, Washington, D.C., September 1986 – December 1987

Overall responsibilities for the direction of the Health Care Institute and the Stoddard Baptist Nursing Home.

Administrator
Stoddard Baptist Nursing Home, Washington, D.C.
Managed by Greater Southeast Center for the Aging, Washington, D.C., August 1986 – May 1987

Charged with ensuring the timely and efficient start up and with establishing day-to-day operations of this 164-bed, skilled and intermediate nursing home.

Administrator
Health Care Institute, Greater Southeast Center for the Aging, Washington, D.C., May 1985 – August 1986

Responsible for the day-to-day operation of this innovative, high quality, 180-bed, teaching nursing home.

Administrator-In-Training and Director of Nursing
Health Care Institute, Greater Southeast Center for the Aging, Washington, D.C., August 1983 – May 1985

HOMEWOOD HEALTH CARE GROUP, INC. 1974-1983

Director of Nursing, Associate Director of Nursing
Homewood Health Care Group, Inc., Bethesda, Maryland, July 1974 – August 1983

EDUCATION

M.S. in Gerontological Nursing, Georgetown University, Washington, D.C., 1981.
B.S. in Nursing, Georgetown University, Washington, D.C., 1971.

PROFESSIONAL & COMMUNITY AFFILIATIONS

Board Member, IONA Senior Services, 2003 – Present
Board Member, Leadership Washington, 2002 - Present
Board Member, Archbishop Carroll High School, 2001 – Present
Board Member, Capital Community Health Plan, 2000 – 2002
Board Member and Officer, DC Hospital Association, 1998 – 2002

Vice President Region II, American Health Care Association, 1994 - 1996
Secretary and Deputy Vice President Region II. American Health Care Association, 1990 - 1994
President, District of Columbia Health Care Association, 1990 - 1991
Vice President, District of Columbia Health Care Association, 1987 - 1989
Member, D.C. Medical Advisory Committee, Department of Human Services, Office of Health Care Financing, 1987 - 2000
Member, D.C. Task Force to Review and Develop Skilled Nursing Home and Intermediate Care Chapters of the State Health Care Plan, 1987
Member, Advisory Committee for Physician Assistants and Nurse Practitioners Project, American College of Health Care Administrators, 1987 - 1988
Founder and Co-Chairperson, District of Columbia Health Care Association, 1986 - 1987
Member, American College of Health Care Administrators, 1985 – 2002
Founder and Treasurer, National Gerontological Nursing Association, 1984 - 1990
Adjunct Faculty, Georgetown University School of Nursing, 1983 - 1993
Member, Sigma Theta Tau, 1971 - 1995

PUBLICATIONS

Norma R. Small and Ana B. Raley, "Georgetown University School of Nursing and the Greater Southeast Community Center for the Aging," *Teaching Nursing Homes, The Nursing Perspective*, National Health Publishing, 1988.
Anthony, Gilliard and Raley, "Changing Demand Calls for Emphasis on Rehabilitation," *Provider*, December 1986.
"The Geriatric Nurse Practitioner," *American Health Care Association Journal*, Vol. 8, No. 6, November 1982.
"MAPPs: How Is It Working in Maryland?." *American Health Care Association Journal*, Vol. 8, No. 5, September 1982.

PRESENTATIONS

"Vision 2000 - Strategic Plan," American Health Care Association. Presentation to Health Facilities Association of Maryland, New Jersey Health Care Association, Delaware Health Care Association and D.C. Health Care Association, 1995.
"Health Policy/Legislation," National Rehabilitation Hospital 3rd Annual Gerontological Conference: Futuristic Gerontology Agenda for the 21st Century, Washington, D.C., April 1991.
"Non-Nurse Managers," Texas Association of Homes for the Aging, 31st Annual Meeting and Trade Show, Austin, Texas, May 1990.
"Alternative Staffing in Nursing Homes to Cut Costs," Rombro Health Services Annual Seminar for Nursing Home Administrators, Columbia, Maryland, March 1990.
"The Non-Nurse as a Nursing Manager," American Association of Homes for the Aged Annual Conference, Baltimore, Maryland, November 1989.
"Nursing Home Care: Room for Improvement," National Capital Chapter, Older Women's League, Washington, D.C., April 1989.
"Prospering Healthcare Programs for the Aging Community," Panelist, Tri-State Hospital Association Annual Conference, Crystal City, Virginia, March 1989.
"The Non-Nurse Manager as an Alternative to a Nurse Manager on an LTC Unit," American College of Healthcare Administrators Annual Conference, Honolulu, Hawaii, April 1989.
"Prospering Healthcare Programs for the Aging Community," Panelist, Tri-State Hospital Association Annual Conference, Crystal City, Virginia, March 1989.
"The Academic/Nursing Home Duet: Managing," Robert Wood Johnson Foundation Teaching Nursing Home, Northeast and Southeast Regional Consultative Conferences, January 1988.
The Robert Wood Johnson Teaching Nursing Home Program, Invitational Conference, Research and Ethics, Philadelphia, Pennsylvania, May 1987.
Presenter at "The Teaching Nursing Home: A Catalyst for Change" Symposium, Washington, D.C,

March 1987.
"Enfermieria III," Centro Medico Docente La Trinidad, Caracas, Venezuela, November 1986.
"Taking Charge, Taking Care," Round Table Discussion at National Council on the Aging Annual Meeting, April 1986.

PROFESSIONAL LICENSURE

Nursing Home Administrator in the District of Columbia (#145) and in Maryland (#R0890).
Registered Nurse in the District of Columbia (#30045) and in Maryland (R052400).

HONORS

Washingtonian Magazine, 100 Most Powerful Women in Washington, DC, 2001
Washington Business Journal, 10 Business People to Watch, 2001
Distinguished Alumni Award Nominee, Georgetown University School of Nursing, 1991.
First Nationwide Competition Judge for *Provider Magazine*, "Long-Term Care Nursing Shortage," 1988.
President's Leadership Award, Greater Southeast Community Center for the Aging, 1984.

EXHIBIT "F"

PART II

[redacted]

Hadley Hospital Investors Group, LLC
c/o Ana Raley & Solanges Vivens
5444 Nevada Ave., N.W.
Washington, D.C. 20015

September 27, 2003

Paul Tuft
Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road
Suite 290
Scottsdale, Arizona 85253

Re: Equity Commitment

Dear Mr. Tuft:

We understand that you and other members of management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the district of Columbia (the "Bankruptcy Court") Case No. 02-2250 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative plan within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

Ana Raley and Solanges Vivens (hereinafter known as the Hadley Hospital Investors Group or "HHIG") hereby make the following proposal, exclusively as part of the New Value Plan and not in respect of any alternative plan in the Chapter 11 Plan, regarding an equity investment by HHIG in Hadley Memorial Hospital, Inc., one of the DCHC Companies and currently a wholly-owned subsidiary of DCHC ("Hadley"), all subject to the execution and delivery of a definitive agreement to be negotiated in good faith by HHIG, DCHC and Hadley:

1. HHIG will purchase 20.0% of the common stock of Hadley from DCHC for a purchase price of $1,000,000 (the "Equity Transaction"). An initial payment of $250,000 in the form of a certified check shall be delivered to DCHC on or before October 8, 2003, with the balance to be payable on or before the effective date of the Chapter 11 Plan (the "Effective Date").

2. DCHC shall grant HHIG an option, exercisable for 90 days commencing on the third anniversary of the closing of the Equity Transaction, to purchase all of the

shares of Hadley common stock held by DCHC at the time of exercise for an exercise price equal to the fair market value of such shares.

3. HHIG shall grant DCHC an option, exercisable at any time following the failure of HHIG to exercise the option referred to in Section 2 hereof, to purchase all of the shares of Hadley common stock held by HHIG at the time of exercise for an exercise price equal to the fair market value of such shares.

4. Hadley and DCHC shall execute a management agreement that will be negotiated in good faith between Hadley and DCHC.

5. DCHC shall be entitled to elect one director to the Board of Directors of Hadley, with the remaining seats to be elected by HHIG. The board of Directors of Hadley shall consist of five members. The Hadley director elected by DCHC will retain veto voting rights for: (i) issuing any new debt in excess of $150,000, (ii) changes in the reorganized articles and bylaws, and (iii) changes in negotiated management agreements.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the State of Arizona without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of HHIG (and any purported assignment without such consent shall be null and void).

The Commitment set forth in this Commitment Letter is intended to be solely for the benefit of you and your management team in connection with the New Value Plan and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended or waived except by an instrument in writing signed by HHIG.

Very truly yours,

By:_____
Ana Raley

By:_____
Solanges Vivens

FFDOCS1644433.01

Solanges Vivens
4928 -30th Street NW Washington DC 20008

202-282-3102 (W)
202-363-9061 (H)
202-282-3109 FAX

SPECIALIZATION

Health Services Administration. Founder and President of VMT Long Term Care Management, Inc.; VMT Education Center and Training Academy; VMT Home Health Agency.

OBJECTIVES

Management of Long Term Care facilities to serve as a consultant to Nursing Home Administrators to share expertise through speaking engagements, book reviews and as an expert witness in the field of geriatrics, gerontology and long term care in general.

EXECUTIVE SUMMARY

Over twenty-five years experience in the areas of Clinical Nursing and Health Care Administration in Acute, Rehabilitation, and Long Term Care settings with extensive knowledge in Health Policies and Regulations.

EDUCATION

Masters of Science Degree — August 1984
Georgetown University, Washington, DC
Major: Health Care Administration

Bachelor of Science — June 1975
Long Island University, Brooklyn, New York
Major: Nursing

Diploma — June 1971
Manhattan State Hospital, School of Nursing
New York, New York
Major: Nursing

LICENSE AND CERTIFICATIONS

Nursing Home Administrator — #157 District of Columbia

Registered Nurse — #1701001235 Virginia
#37321 District of Columbia
#37500 New York
#RO64542 Maryland

Certified as a Nurse Administrator advanced by the American Nurses Association. CNAA #081848

LANGUAGES

Fluent in French and English with a working knowledge of Spanish.

PROFESSIONAL ACCOMPLISHMENTS AND WORK HISTORY

May 1988 to Present

President
VMT Long Term Care Management, Inc.
4201 Connecticut Avenue, NW Washington, DC 20008

Identified the need for better management in long-term care facilities. Founded VMT a minority Certified Company that manages Long Term Care facilities. In 1990, when OBRA required nursing assistants to be certified founded VMT Education Center and training academy. Established a certified Home Health Agency in 1995.

Executive Director **June 1987 to March 1997**
Washington Center For Aging Services
2601 Eighteenth Street, NE Washington, DC 20018

Managed the Washington Center For Aging Services as the Executive Director under contract with Excepticon of Washington and subsequently under VMT Long Term Care Management, Inc. Secured Center's license and certification for a full year and maintained yearly license and certification thereafter in addition to a deficiency free facility on two occasions.

Director of Nursing **November 1977 to May 1987**
Washington Home and Hospice
3720 Upton Street, NW Washington, DC 20016

As Director of Nursing, identified the need for more effective clinical management of the cognitively impaired elderly. Proposed to the Board of Directors that a nurse with a Masters Degree and experience in Psychiatric Nursing be hired in the management of the large number of confused elderly at the Facility. As a result of the proposal and extensive follow up, the Facility was the only nursing home in the District of Columbia with a closed nursing unit caring for the residents with Alzheimer's Disease and related disorders.

Urology Nurse Clinician **July 1975 to July 1977**
Burke Rehabilitation Center
White Plains, New York, New York

As Nurse Clinician in Urology, developed and implemented a bowel and bladder management program for the spinal cord injured patients which resulted in a significant decrease in the number of patients with episodes of autonomic dysreflexia, and increased the nurses knowledge of management of patients with spinal cord injuries and neurogenic bladder.

Head Nurse **June 1971 to June 1975**
The Mt. Sinai Hospital June
New York, New York

As Head Nurse of a medical surgical unit. Developed a method of using a "Medicine Dropper: as a catheter seal between a thin urethral catheter and a drainage bag. This invention was published and used by other urological nurses nationwide.

PUBLICATIONS

- "Nursing As a Career Choice...a Progressive Idea" -Article by Solanges Vivens, The African Shopper, April 16, 1998
- "Making a Nursing Home a Home." Solanges Vivens, Career in Health, The Washington Post 1995
- "Adult Day Care Serves Elderly in Non-Residential Setting". Solanges Vivens & Janet Colwell, Provider Magazine, January 1992
- "Staff Abuse in Nursing Homes." Solanges Vivens, Contemporary Long Term Care, August 1992
- "Implementation of the Unit Management system in Nursing Homes". Solanges Vivens & Carol Woolfork Nursing Management, September 1986 issue
- "Nursing Home Admission Made More Rational." Solanges Vivens & Carole Woolfork, Journal of Geriatric Nursing., November/December 1983
- "In-Patient Care of the Urologic Patient". Solanges Vivens, Urogram, April/May 1976. Vol.5, No.1.

PROFESSIONAL PRESENTATIONS

- " How Short Are You Professionally Speaking", AHCA 2001 Conference & Expo, Boston, Massachusetts, October 15-18, 2001
- "Spa Day at WCAS: a Relaxation Experience for the Senses", MANPHA's 20th Annual Conference, Ocean City, Md., May 9-11, 2001
- "Cranking up to Deal with the Regulatory Crack Down" DCHCA Legislative Seminars, Washington, DC, March 1999 and October 1998
- "Make Staff Turnover Work for You", ACHCA 32nd Annual Convocation & Exhibition, Atlanta, GA, May 2-6, 1998
- "The Negative Image of Nursing Facilities...Reality or Misperception", American Healthcare Association, 47th Annual Convention & Exposition, November 5- 8, 1996 and District of Columbia Healthcare Association, 6th Annual Convention & Trade Show, November 22, 1996
- "Healthcare Financing for Older Adults in the District of Columbia", Howard University Hospital, Geriatric and Gerontology Department, October 1995-1996
- "Services Available in Long Term Care Facilities" District of Columbia Leadership Council, AARP, July 1994
- "The Politics of Aging & Aging Minorities", College of Allied Health Services, Howard University Hospital. June 1990
- "The Long Term Care Agenda: An Invitation for Nursing Innovation", The John Hopkins Nurses Alumni Association Annual Convention, October 12, 1990
- "Management of the Geriatric Patient in Long Term Care Facilities: Characteristics of Occupants in the 90'S" Special Administrative Problems in Nursing Homes. Howard University Hospital Annual Conference on Long Term Care, November 1989
- "The Clinicians as a Supervisor" Special guest speaker for the employees of Professional Rehabilitation Network, Inc., Bethesda, MD, June 1988, Special guest speaker for the employees of Drug Lane Company, Silver Spring, MD, July 1988
- "Executives Summary Work Study Program for Health Administration", National Association of Health Services, 1987" Appointed Clinical Lecturer, George Mason University 1987-88
- "Legislative and Policy Issues Affecting the Care of Older Adults", Gerontological Nursing, Baltimore, MD, September 1986
- "Care for the Cognitively Impaired Elderly', Special Program, Washington, DC September 1985

- "The Survey Process in the District of Columbia", Washington, DC. October 1984
- "Caring for the Incurably and Terminally Ill", United Way Forum, Virginia, April 1984
- "Nursing Practice and Staff Needs in Long Term Care Facilities", Long Term Health Care in the 80's Symposium, Washington, DC, September 1980
- "Personnel and Staffing Needs in Long Term Care Facilities", Long Term Health Care in the 80's Symposium, Washington, DC. September 1980
- "Urologic Nursing Care of the Spinal Cord Injured Patient", Urology Workshop, New Jersey, November 1979
- "Establishing a Bowel and Bladder Rehabilitation Program for the Elderly", Adjustment Seminar, Washington, DC, April 1979
- "In-Patient Care of the Urology Patient", American Urological Association Allied Annual Meeting, New York City, New York, April 1976
- Guest Lecturer for Graduate and Undergraduate Nursing Program at Georgetown University School of Nursing

PROFESSIONAL AFFILIATIONS

• Member	Executive Board of the American Health Care Association –AHCA 2002-Present
• President	District of Columbia Health Care Association (DCHCA (1996-1997))
• Member	American Health Care Association -AHCA 1987-Present
• Treasurer	American Health Care Association Region II 1997-1998
• Secretary	American Health Care Association Region II 1999
• Member	American Health Care Association Marketing Sub Committee 1997-1998-1999
• Secretary	Board of Coalition of Woman in Long Term Care (COWL) 1996-1997-1998-1999
• Member	Mayor's Health Policy Council District of Columbia 1996-1997- 1998-1999
• Member	State Board of Examiners Nursing Home Administrators & Licensing Commission, District of Columbia, June 1994-1997, 1998-1999

SMITH BARNEY
citigroup

Neil S. Kaplan
Senior Vice President - Investment
Tel 800 933 2093
Fax 301 436 1574

September 25, 2003

Mr. Tom Barry
Mr. Tom Reardon
c/o Doctors Community Health Care Corporation
6730 N. Scottsdale Road Suite 290
Scottsdale, Arizona

Dear Gentlemen:

Solanges Vivens has maintained a long term financial and banking relationship with Smith Barney/Citigroup Global Market, Inc.. Solanges's personal accounts have daily access to funds that more than exceed the Five Hundred Thousand Dollars Guarantee that is being requested for this potential project. Please feel free to contact me if additional information is required.

Sincerely,

Neil S. Kaplan

EXHIBIT 7(G)

[Equity Transaction Letter of Pacifica Investment Company – I]

EXHIBIT "G"

Pacifica Investment Company - I
c/o Pacifica Hospital
9449 San Fernando Road
Sun Valley, California 91352

September 27, 2003

Paul Tuft
Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road
Suite 290
Scottsdale, Arizona 85253

Re: Equity Commitment

Dear Mr. Tuft:

We understand that you and other members of management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court") Case No. 02-2250 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative plan within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

Pacifica Investment Company – I ("PIC-I") hereby makes the following proposal, exclusively as part of the New Value Plan and not in respect of any alternative plan in the Chapter 11 Plan, regarding an equity investment by PIC-I in Pacifica of the Valley Corporation ("Pacifica"), currently a wholly-owned subsidiary of DCHC all subject to the execution and delivery of a definitive agreement to be negotiated in good faith by PIC-I, DCHC and Pacifica:

1. PIC-I will purchase 20% of the common stock of Pacifica from DCHC, the sole shareholder for a purchase price of $700,000.00 (the "Equity Transaction"). An initial payment of $200,000 in the form of a certified check shall be delivered to DCHC on or before October 8, 2003, with the balance to be payable as agreed by the parties.

3. DCHC shall grant PIC-I an option, exercisable in three years commencing on the closing of the Equity Transaction, to purchase all of the shares of Pacifica common stock held by DCHC at the time of exercise for an exercise price equal to the fair market value of such shares. Should PIC-I not execute the option described above in three years and 90 days from the closing of the Equity Transaction, the option expires.

4. PIC-I shall grant DCHC an option, exercisable in three years commencing on the closing of the Equity Transaction, to purchase all of the shares of Pacifica common stock held by PIC-I at the time of exercise for an exercise price equal to the fair market value of such shares.

5. Pacifica and DCHC shall execute a management agreement to be negotiated in good faith between Pacifica and DCHC.

6. PIC-I and DCHC shall work together name the board of directors of Pacifica Hospital of the Valley, which will consist of 5-7 members. DCHC will retain one seat.

   a. DCHC's board member will retain veto voting rights for; i. any new debt in excess of $350,000, ii. changes in the reorganized articles and bylaws, iii. changes in negotiated management agreements.

This Commitment Letter supersedes all prior discussions, agreements, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the State of California without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of PIC-I (and any purported assignment without such consent shall be null and void).

The commitment set forth in this Commitment Letter is intended to be solely for the benefit of you and your management team in connection with the New Value Plan and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended or waived except by an instrument in writing signed by PIC-I.

Very truly yours,

PACIFICA INVESTMENT COMPANY - I, INC.

By: Casey Fatch

Casey Fatch
Chairman / Shareholder

EXHIBIT 7(H)

[Equity Transaction Letter of Pacifica Investment Company – II]

EXHIBIT "H"

Pacifica Investment Company - II
c/o Pacifica Hospital
9449 San Fernando Road
Sun Valley, California 91352

September 27, 2003

Paul Tuft
Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road
Suite 290
Scottsdale, Arizona 85253

Re: Equity Commitment

Dear Mr. Tuft:

We understand that you and other members of management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court") Case No. 02-2250 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative plan within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

Pacifica Investment Company – II, ("PIC-II"). hereby makes the following proposal, exclusively as part of the New Value Plan and not in respect of any alternative plan in the Chapter 11 Plan, regarding an equity investment by PIC-II in Pacifica of the Valley Corporation ("Pacifica"), currently a wholly-owned subsidiary of DCHC, all subject to the execution and delivery of a definitive agreement to be negotiated in good faith by PIC-II, DCHC and Pacifica:

1. PIC-II will purchase ~~1.5~~ 2.4 PAT% of the common stock of DCHC for a purchase price of $700,000.00 (the "Equity Transaction"). An initial payment of $200,000 in the form of a certified check shall be delivered to DCHC on or before October 8, 2003, with the balance to be payable not later than the effective date of the Chapter 11 Plan.

2. DCHC and PIC-II shall negotiate and enter into a shareholder agreement upon close of the Equity Transaction.

3. PIC-II shall appoint one director that will be approved by the reorganized DCHC Board of Directors.

This Commitment Letter supersedes all prior discussions, agreements, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the State of California without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of PIC-II (and any purported assignment without such consent shall be null and void).

The commitment set forth in this Commitment Letter is intended to be solely for the benefit of you and your management team in connection with the New Value Plan and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended or waived except by an instrument in writing signed by PIC-II.

Very truly yours,

PACIFICA INVESTMENT COMPANY – II.

By: Casey Fateh
Casey Fateh
President

EXHIBIT 7(I)

[Memorandum of Understanding with Dr. S.K. Duraij]

EXHIBIT "I"

S.K. Durairaj, M.D.
9375 San Fernando Road
Sun Valley, Ca 91352

October 15, 2003

Paul Tuft
Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road Suite 290
Scottsdale, AZ 85253

Re: Equity Commitment

Dear Mr. Tuft:

I understand that you and other members of management of Doctors Community Healthcare Corporation ("DCHC") which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court") Case No.02-2250 (SMT)(the Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the DCHC Companies") that will be presented as an alternative plan within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan ")to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

I, S.K. Durairaj, M.D. ("SKD") or an agreeable investment vehicle hereby make the following proposal, exclusively as part of the New Value Plan and not in respect of any alternative plan in the Chapter 11 Plan, regarding an equity investment by SKD in DCHC subject to the execution and delivery of a definitive agreement to be negotiated in good faith by SKD and DCHC:

1. SKD will purchase 10% of the common stock of DCHC, for a purchase price of $3,000,000,00 (the " Equity Transaction"). An initial payment of $600,000,00 in the form of a certified check shall be delivered to DCHC on or before October 22, 2003,with the balance to be payable on or before December 1, 2003.

2. In exchange, you will provide 10% of the common stock of the reorganized DCHC.

This commitment letter shall be governed, except to the extend that the United States Bankruptcy Code is applicable, by the laws of the States of California without giving effect to the conflict of laws provisions thereof.

This Commitment letter and any rights thereunder shall not assignable by you without the prior written consent of SKD (and any purported assignment without such consent shall be null and void).

The Commitment set in this Commitment Letter is intended to be solely for the benefit of you and your management team and connection with the New Value Plan and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended or waived except by an instrument in writing signed by SKD.

Very truly yours,

S.K. Durairaj, M.D.

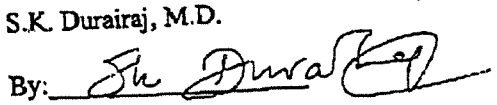
By: 

EXHIBIT 7(J)
[Memorandum of Understanding with Tanya Curtis]

EXHIBIT "J"

TANYA CURTIS

3218 COURTSIDE ROAD
MITCHELLVILLE, MARYLAND 20721
(301) 218-3468

October 14, 2003

Paul Tuft
Chief Executive Officer
Doctors Community Healthcare Corporation
6730 North Scottsdale Road
Suite 290
Scottsdale, Arizona 85253

Re: Equity Commitment

Dear Mr. Tuft:

This is to supplement our telephone conversations in which we discussed my purchasing a 5% interest in Greater Southeast Community Hospital Corporation.

We understand that you and other members of management of Doctors Community Healthcare Corporation ("DCHC"), which is the subject of a Chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of Columbia (the "Bankruptcy Court") Case No. 02-2250 (SMT) (the "Bankruptcy Case"), have developed a reorganization plan (the "New Value Plan") for DCHC and its subsidiaries (collectively, the "DCHC Companies") that will be presented as an alternative plan within a proposed Chapter 11 reorganization plan (the "Chapter 11 Plan") to be filed with the Bankruptcy Court with respect to the DCHC Companies in the Bankruptcy Case.

I, Tanya Curtis ("TC") hereby make the following proposal, exclusively as part of the New Value Plan and not in respect of any alternative plan in the Chapter 11 Plan, regarding an equity investment by TC in Greater Southeast Community Hospital Corporation – I ("GSCH"), currently a wholly-owned subsidiary of DCHC all subject to the execution and delivery of a definitive agreement to be negotiated in good faith by TC, DCHC and GSCH:

1. TC will purchase 5% of the voting common stock of GSCH from DCHC, the sole shareholder, for a purchase price of $500,000.00 (the "Equity Transaction"). An initial payment of $100,000.00 in the form of a certified check shall be delivered to DCHC on or before October 29, 2003, with the balance to be payable as agreed by the parties or as designated by the bankruptcy court. DCHC shall give preemptive rights to TC to purchase additional shares of the corporation if issued by GSCH to prevent dilution of TC's 5% ownership of GSCH stock.

2. DCHC shall grant TC a right of first refusal to purchase a portion or all of the shares of GSCH common stock held by DCHC before DCHC offers its shares to a third party for purchase for an exercise price equal to the fair market value of such shares. If TC exercises the right of first refusal to purchase, it shall have ninety days within which to conclude the sale.

3. TC shall grant DCHC a right of first refusal to purchase a portion or all of the shares of GSCH common stock held by TC before TC offers its shares to a third party for purchase for an exercise price equal to the fair market value of such shares. If DCHC exercises the right of first refusal to purchase, it shall have ninety days within which to conclude the sale.

4. TC understands that both DCHC and an entity to be formed and comprised of physicians will be the other equity holders of the GSCH subsidiary. TC understands that a board of

directors has been formally named; however, TC will be entitled to one board seat on the finalized board of directors. As of the date of this commitment letter, GSCH shall have 14 members on the board of directors.

5 DCHC agrees that it will vote all of its shares for the election of TC to the Board of Directors of DCHC at each election of the Board of Directors.

6. DCHC warrants that the real property at which Greater Southeast Hospital is located is owned by DCHC.

7. DCHC agrees that it will give TC the opportunity to invest and participate in other business ventures of DCHC in a similar capacity to this investment.

8. DCHC estimates that the management fees for managing Greater Southeast Community Hospital shall be between 1 ½ - 2 percent.

9. DCHC shall inform regularly and consult with TC in the negotiations and structuring of the investment by the entity to be formed by physicians to purchase an equity interest in GSCH referred to in paragraph 4 above.

This Commitment Letter supersedes all prior discussions, agreements, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto.

This Commitment Letter shall be governed, except to the extent that the United States Bankruptcy Code is applicable, by the laws of the District of Columbia without giving effect to the conflict of laws provisions thereof.

This Commitment Letter and any rights thereunder shall not be assignable by you without the prior written consent of TC (and any purported assignment without such consent shall be null and void).

The commitment set forth in this Commitment Letter is intended to be solely for the benefit of you and your management team in connection with the New Value Plan and is not intended to confer any benefits upon, or create any rights in favor of, any other person or entity.

This Commitment Letter may not be amended or waived except by an instrument in writing signed by TC.

Very truly yours,

Tanya Curtis

By: Tanya L Curtis

EXHIBIT 7(K)

[Memorandum of Understanding with Dr. Enrique Beckmann]

EXHIBIT "K"

MEMORANDUM OF UNDERSTANDING

The Undersigned have met to discuss various elements of a "New Value" Plan of Reorganization (the "Plan") being developed on behalf of **Doctors Community Healthcare Corporation** ("DCHC") in connection with the U.S. Bankruptcy Court Proceedings in the District of Columbia involving DCHC and other related entities, including **Michael Reese Medical Center Corporation** ("MR") and agreed to the following elements of the Plan as it affects the future operations of MR.

1. **Plan Structure.**

   a. The Plan will mandate continued operation of MR as a hospital as a separate subsidiary of DCHC.

   b. The Plan will provide that appropriate hospital assets be acquired by MR from the bankrupt estate pursuant to Section 363 of the Bankruptcy Code or as a part of the Plan, free and clear of all liens, claims and encumbrances that would prevent the operation of a hospital by MR.

   c. The Plan will contemplate the negotiation of a lease of at least fifteen (15) years in duration with any future 3rd party owner of the real property currently owned by MR as well as other lease terms which will permit the continued operation of a hospital (e.g. fair market value rent, necessary buildings and property, purchase option)

   d. The Plan should provide for adequate capital for the operation of a hospital by MR.

2. **MR Ownership**

   a. MR to be owned by DCHC, local management and other local representatives.

b. At the outset DCHC will own 80% of MR equity and Dr. Enrique Beckmann ("Beckmann") will be awarded 20% of MR equity in consideration of his commitment to continue to provide management services as President/CEO and Board Chairman of MR for five (5) years (see "Local Management" below).

c. Opportunity for Beckmann to earn up to 10% more of MR equity based on reasonable criteria for MR performance over five (5) year period.

d. Additional MR ownership percentages to be made available up to a total of 50% (including Beckmann's shares) based on FMV purchases during a five (5) year period.

e. Reserved powers are to be granted to minority shareholders to assure local autonomy (E.g. amendment of Articles, amendment of By-Laws, sale of substantially all assets) and continued operation of MR as a hospital.

f. Beckmann shall be fully reimbursed by DCHC or its subsidiary MR for all expenses incurred by him or others at his direction in preparing and negotiating this MOU and the terms of the Plan as it affects MR.

3. **Local Governance**

a. The MR Board shall have full statutory authority to manage the business and affairs of MR.

b. The MR Board shall be composed of fourteen (14) individuals selected by the shareholders pursuant to a shareholders agreement, which, among other things, will provide for one (1) DCHC director one (1) Medline director and Beckmann. The remainder of the directors will be physicians on the medical staff of MR or other individuals from the community served by MR. It is contemplated that Paul Tuft, the Chairman/CEO of DCHC will be the DCHC board member and James Abrams, the CEO of Medline will be the Medline board member.

c. Reserved powers will be given to the Medline director over fundamental matters (E.g. amendment of Articles, amendment of By-laws, incurrence of debt in excess of preset limits, sale of substantially all assets).

4. **Local Management**

a. Beckmann will fill the position of President/CEO and Board Chairman under a five (5) year employment agreement with MR to be approved by the MR Board. The employment agreement will contain terms that are usual and customary to the position, including the criteria for additional MR stock awards and the basis for early termination by MR if minimum performance standards are not met.

b. Other managers are to be selected by local MR Board.

c. MR management will have complete control of day-to-day operations of MR, subject to the MR Board.

5. **Local Financial Control**

a. MR board and management will have complete control over MR assets and liabilities (except for limitations incorporated into board member or shareholder reserved powers referred to elsewhere herein)

b. MR will have complete control over its billing, collection, payable and banking functions.

c. No Encumbrance of MR assets for DCHC obligations permitted.

6. **Opportunity to Obtain Total Local Ownership**

a. Opportunities will be provided to local physicians or administrators to purchase 100% of MR stock after three (3) years at appraised value.

b. Options for MR to purchase leased hospital properties.

This Memorandum of Understanding sets forth the entire agreement between the parties and supersedes all prior proposals and communications between the parties relating to the subject matter hereof. This **Memorandum of Understanding** may be executed in counterparts, which together shall constitute one and the same document. This **Memorandum of Understanding** may not be amended, modified or supplemented except in a writing signed by the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this **Memorandum of Understanding** on the dates appearing below.

Signature: Paul M Tuft
Print Name: 10/10/03
Date: PAUL TUFT

Signature:
Print Name: ENRIQUE BECKMANN
DATE: 10/13/03

Signature:
Print Name:

Date:_____

Date:_____

EXHIBIT 7(L)

[Estimate of Assumed or Otherwise Settled Liabilities]

EXHIBIT "L"

pproximate Numbers; Based on information as of 9/29/03 brom BMC

re-Petition Claims Analysis	Totals	DCHC	PHOV	Reese	Hadley	GSCH
rade / Goods & Services						
Claims / Schedules	$ 77,413,944.76	$ 10,903,255.00	$ 7,861,880.76	$ 30,625,741.00	$ 1,877,068.00	$ 26,146,000.00
Waive per New Value Plan	$ 26,092,767.27	$ 3,391,255.73	$ 5,190,170.00	$ 5,190,170.00	$ 459,027.24	$ 11,862,144.30
Remaining in Pool Class	$ 51,321,177.49	$ 7,511,999.27	$ 2,671,710.76	$ 25,435,571.00	$ 1,418,040.76	$ 14,283,855.70
ied Malpractice						
Claims / Schedules	$ 464,491,786.00	$ 96,000,000.00	$ 8,252,400.00	$ 255,739,386.00	$ -	$ 104,500,000.00
Waive per New Value Plan	$ 464,491,786.00	$ 96,000,000.00	$ 8,252,400.00	$ 255,739,386.00	$ -	$ 104,500,000.00
Remaining in Pool Class	$ -	$ -	$ -	$ -	$ -	$ -
Secured (non-NCFE)						
Claims / Schedules	$ 66,914,770.00	$ 15,500,388.00	$ 23,147,124.00	$ 17,744,728.00	$ 6,862,530.00	$ 3,660,000.00
Waive per New Value Plan	$ 65,023,223.00	$ 15,500,388.00	$ 22,059,370.00	$ 17,326,571.00	$ 6,476,894.00	$ 3,660,000.00
Remaining in Pool Class	$ 1,891,547.00	$ -	$ 1,087,754.00	$ 418,157.00	$ 385,636.00	$ -
Totals						
Claims / Schedules	**$ 608,820,500.76**					
Waive per New Value Plan	**$ 555,607,776.27**					
Remaining in Pool Class	**$ 53,212,724.49**					

Please note that the claims universe utilized does not include any NCFE claims of any kind. Also and employee claims are assumed to be carried forward from pre-petition to emerging company. Also claims classified as Unknown, patient refund or taxes are not addressed in this chart

EXHIBIT 8
[Recapitalization Proposal Financial Projections]

TO BE PROVIDED PRIOR TO THE DISCLOSURE STATEMENT HEARING

EXHIBIT 9
[Insurance Policy]

Doctors Community Healthcare Corporation
Prior Insurance History

Entity	Policy Period	Carrier/Policy Number	Coverage	Limit - Per Claim/Annual Aggregate	Deductible/SIR
Greater Southeast Community Hospital	12-30-99 to 1-1-01	TIG HCF38815690/HCU38815691	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $19,000,000/$19,000,000	$100,000 SIR Each Claim $300,000 Annual Aggregate
	1-1-01 to 1-1-02	*TIG HCF38831054/HCU38831055	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$47,000,000	$250,000 SIR Each Claim $4,000,000 Annual Aggregate
		**AIG 6790763	Excess Liability	$25,000,000 Per Claim xs $5,000,000 SIR	$5,000,000 Each Claim SIR
	1-1-02 to 1-1-03	**C N A HMU106439554	Excess Liability	$10,000,000 Per Claim xs $25,000,000 AIG	
Hadley Memorial Hospital	7-1-98 to 7-1-99	SCPIE NPB0139660/5518	General Liability Professional	$20,000,000 Each Claim	$10,200 Deductible Each Claim
	7-1-99 to 7-15-00	SCPIE HPL1000037	General Liability Professional	$20,000,000 Each Claim	$10,200 Deductible Each Claim
	7-15-00 to 1-1-01	TIG HCF38830966/HCU38830967	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $19,000,000/$19,000,000	$10,000 Deductible Each Claim $50,000 Annual Aggregate
	1-1-01 to 1-1-02	*TIG HCF38831054/HCU38831055	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$47,000,000	$250,000 SIR Each Claim $4,000,000 Annual Aggregate
		**AIG 6790763	Excess Liability	$25,000,000 Per Claim xs $5,000,000 SIR	$5,000,000 Each Claim SIR
	1-1-02 to 1-1-03	**C N A HMU106439554	Excess Liability	$10,000,000 Per Claim xs $25,000,000 AIG	

EXHIBIT 9

MAY-29-2003 16:32 8163958641 97% P.02

Doctors Community Healthcare Corporation
Prior Insurance History

Entity	Policy Period	Carrier/Policy Number	Coverage	Limit - Per Claim/Annual Aggregate	Deductible/SIR
Pacifica Hospital of the Valley	1-1-98 to 1-1-99	SCPIE HPL1000028	General Liability Professional	$20,000,000 Each Claim	$10,200 Deductible Each Claim
	1-1-99 to 7-15-00	SCPIE HPL1000028	General Liability Professional	$20,000,000 Each Claim	$10,200 Deductible Each Claim
	7-15-00 to 1-1-01	TIG HCF38830970/HCU38830971	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $19,000,000/$19,000,000	$10,000 Deductible Each Claim $50,000 Annual Aggregate
	1-1-01 to 1-1-02	*TIG HCF38831054/HCU38831055	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$47,000,000	$250,000 SIR Each Claim $4,000,000 Annual Aggregate
		**AIG 6790763	Excess Liability	$25,000,000 Per Claim xs $5,000,000 SIR	$5,000,000 Each Claim SIR
	1-1-02 to 1-1-03	**C N A HMU106439554	Excess Liability	$10,000,000 Per Claim xs $25,000,000 AIG	
Pine Grove Hospital	9-24-98 to 9-24-99	SCPIE HPL1000020	General Liability Professional	$20,000,000 Each Claim	$10,200 Deductible Each Claim
	9-24-99 to 7-15-00	SCPIE HPL1000020	General Liability Professional	$20,000,000 Each Claim	$10,200 Deductible Each Claim
	7-15-00 to 1-1-01	TIG HCF38830965/HCU38830965	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $19,000,000/$19,000,000	$10,000 Deductible Each Claim $50,000 Annual Aggregate
	1-1-01 to 1-1-02	*TIG HCF38831054/HCU38831055	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$47,000,000	$250,000 SIR Each Claim $4,000,000 Annual Aggregate
		**AIG 6790763	Excess Liability	$25,000,000 Per Claim xs $5,000,000 SIR	$5,000,000 Each Claim SIR
	1-1-02 to 1-1-03	**C N A HMU106439554	Excess Liability	$10,000,000 Per Claim xs $25,000,000 AIG	

MAY-29-2003 16:32 8163958641 97% P.03

Doctors Community Healthcare Corporation
Prior Insurance History

Entity	Policy Period	Carrier/Policy Number	Coverage	Limit - Per Claim/Annual Aggregate	Deductible/SIR
Michael Reese Hospital & Medical Center	1-1-99 to 1-1-00	TIG HCF38045130/HCU38045131	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$49,000,000	$250,000 SIR Each Claim $750,000 Annual Aggregate
	1-1-00 to 1-1-01	TIG HCF38815688/HCU38815689	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$49,000,000	$250,000 SIR Each Claim $750,000 Annual Aggregate
	1-1-01 to 1-1-02	*TIG HCF38831054/HCU38831055	General Liability Professional Umbrella	$1,000,000/$3,000,000 $1,000,000/$3,000,000 $49,000,000/$47,000,000	$250,000 SIR Each Claim $4,000,000 Annual Aggregate
	1-1-02 to 1-1-03	**AIG 6790763	Excess Liability	$25,000,000 Per Claim xs $5,000,000 SIR	$5,000,000 Each Claim SIR
		**CNA HMU106439554	Excess Liability	$10,000,000 Per Claim xs $25,000,000 AIG	

*TIG Master policy - SIR shared by all facilites - individual limits by facility.
*AIG/CNA Master policy limits and SIR shared by all facilites.

P.04
97%
8163958641
MAY-23-2003 16:32

EXHIBIT 10
[Claim Summary]

Approximate Claims as Filed or Scheduled; Based on information as of 9/29/03 from BMC

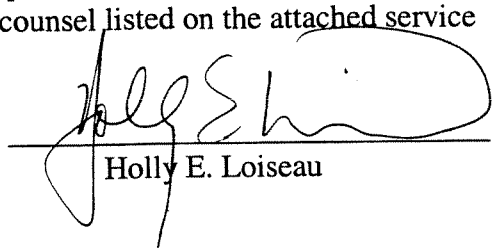
Pre-Petition Claims Analysis	Totals	DCHC	PHOV	Reese	Hadley	GSCH
Trades/Goods & Services Claims/Schedules	$77,413,944.76	$10,903,255.00	$7,861,880.76	$30,625,741.00	$1,877,068.00	$26,146,000.00
Med Malpractice Claims/Schedules	$464,491,786.00	$96,000,000.00	$8,252,400.00	$255,739,386.00		$104,500,000.00
Secured (non-NCFE) Claims/Schedules	$66,914,770.00	$15,500,388.00	$23,147,124.00	$17,744,728.00	$6,862,530.00	$3,660,000.00
Totals Claims/Schedules	$608,820,600.76					

Please note that this chart does not include any NCFE claims of any kind, any employee-related claims or any claims classified as unknown, patient refund or taxes.

EXHIBIT 10

CERTIFICATE OF SERVICE

I, Holly E. Loiseau, certify that I caused to be served a true and correct copy of the Debtors' Disclosure Statement pursuant to section 1125 of the Bankruptcy Code and the Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code via first class mail and/or electronic mail on the parties/counsel listed on the attached service list on October 24, 2003.



Holly E. Loiseau

COMBINED MASTER SERVICE LIST
PAPER SERVICE LIST
(by mail and email)

Name and Street Address	Email Address, if any
Any and all of the Debtors c/o Doctors Community Healthcare Corporation 6730 North Scottsdale Road Suite 290 Scottsdale, Arizona 85253	pleadings@doctorscommunity.com
Deryck A. Palmer, Esq. Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, New York 10153 (Counsel for the Debtors)	deryck.palmer@weil.com
Andrew M. Troop, Esq. Weil, Gotshal & Manges LLP 100 Federal Street, 34th Floor Boston, MA 021 10 (Counsel for Debtors)	andrew.troop@weil.com
Peter D. Isakoff, Esq. Holly E. Loiseau, Esq. Weil, Gotshal & Manges LLP 1501 K Street N.W. Suite 100 Washington, D.C. 20005 (Counsel for the Debtors)	peter.isakoff@weil.com holly.loiseau@weil.com
B. Amon James, Esq. Office of the United States Trustee 115 South Union St., Plaza Level Suite 210 Alexandria, Virginia 22314	B.Amon.James@usdoj.gov
Kevyn D. Orr, Esq. Jones Day 51 Louisiana Avenue, N.W. Washington, D.C. 20001 (Counsel for National Century Financial Enterprises, Inc)	korr@jonesday.com

Ken Kansa, Esq.
Bank One Plaza
Sidley, Austin, Brown & Wood LLP
10 South Dearborn Street
Chicago, Illinois 60603
(Counsel for Medline Industries, Inc.)

kkansa@sidley.com

Guy S. Neal, Esq.
Natalie Kuehn, Esq.
Sidley, Austin, Brown & Wood LLP
1501 K Street, N.W. Suite 600
Washington, D.C. 20005
(Counsel for Medline Industries, Inc.)

gneal@sidley.com

nkuehn@sidley.com

Michael L. Bernstein, Esq.
Charles A. Malloy, Esq.
Arnold & Porter
555 Twelfth Street, N.W.
Washington, D.C. 20004
(Counsel for Health Care Reit, Inc.)

michael_bernstein@aporter.com

charles_malloy@aporter.com

David Fisher, Esq.
Corporation Counsel, D.C.
441 4th Street, N.W. 6th Floor North
Washington, D.C. 20001
(Counsel for the District of Columbia)

David.Fisher@dc.gov

Sam J. Alberts, Esq.
Jonathan Gold, Esq.
Akin, Gump, Strauss, Hauer, & Feld
1333 New Hampshire Avenue, N.W.
Suite 400
Washington, D.C. 20001
(Counsel for the Joint Committee of
Unsecured Creditors)

salberts@akingump.com

jgold@akingump.com

Michael Goodstein, Esq.
Bailey Cavalieri LLC
10 West Broad Street, Suite 2100
Columbus, Ohio 43215-3422
(Counsel for Provident)

michael.goodstein@baileycavalieri.com

SEC Headquarters
450 Fifth Street, NW
Washington, DC 20549

SEC Northeast Regional Office
Wayne M. Carlin, Regional Director
233 Broadway
New York, NY 10279

IRS
Department of the Treasury
Washington D.C. 20002

U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

ELECTRONIC SERVICE LIST
(by email only)

Donald A. Workman, Esq. dworkman@foleylaw.com
Roderick B. Williams, Esq.
Foley & Lardner rwilliams@foleylaw.com
Washington Harbour
3000 K Street, N.W., Suite 500
Washington, D.C. 20007-5109

Neil Demchick ndemchick@navigantconsulting.com
Navigant Consulting
2 North Charles Street, -
Baltimore, Maryland 21201.

Mitchell B. Weitzman, Esq. Mweitzman@beankinney.com
Bean, Kinney & Korman, P.C.
2000 North 14th Street Suite 100
Arlington, Virginia 22201

Christy Hoffman, Esq. choffman@jamhoff.com
James & Hoffman, P.C.
1101 17th Street, N.W., Suite 510
Washington, D.C. 20036

Kermit A. Rosenberg, Esq. krosenberg@tighepatton.com
Tighe Patton Armstrong Teasdale, PLLC
1747 Pennsylvania Avenue, N.W.
Suite 300
Washington, DC 20006-4604

Haig Maghakian, Esq.
Milbank, Tweed, Hadley & McCloy LLP
601 S. Figueroa Street, 30th Floor
Los Angeles, California 90017
hmaghakian@milbank.com

William Douglas White
McCarthy & White, PLLC
8180 Greensboro Drive - Suite 875
McLean, VA 22102
wdw@mcarthywhite.com

Craig B. Young, Esq.
C. Todd Marks, Esq.
Connolly Bove Lodge & Hutz, LLP
1990 M Street, N.W.
Suite 800
Washington, D.C. 20036
cby@cblhlaw.com
ctm@cblhlaw.com

Margarita Ginzburg, Esq.
Lester M. Kirshenbaum, Esq.
Kaye Scholer LLP
425 Park Avenue
New York, NY 10022
mginzburg@kayescholer.com
lkirshenbaum@kayescholer.com

Charles R. Bennett, Jr., Esq.
Hanify & King,
Professional Corporation
One Beacon Street
Boston, MA 02108-3107
crb@hanify.com

Conrad K. Chiu, Esq.
Pitney, Hardin, Kipp & Szuch LLP
685 Third Avenue
New York, NY 10017-4024
cchiu@pitneyhardin.com

Lori L. Purkey, Esq.
Miller, Canfield, Paddock and Stone P.L.C.
444 West Michigan Avenue
Kalamazoo, MI 49007
purkey@millercanfield.com

Terry E. Hall, Esq.
Baker & Daniels
300 North Meridian Street Suite 2700
Indianapolis, IN 46204
tehall@bakerd.com

Steven Scow, Esq.
Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, Fourth Floor
Costa Mesa, CA 92626-1925
sscow@sheppardmullin.com

Daniel D. Doyle, Esq.
Spencer Fane Britt & Browne LLP
120 South Central Avenue 5th Floor
St. Louis, Missouri 63105
ddoyle@spencerfane.com

John Cunningham, Esq.
White & Case LLP
200 South Biscayne Blvd
Suite 4900
Miami, FL 33131
jcunningham@whitecase.com

Richard Levy, Esq.
Vik Puri, Esq.
Latham & Watkins LLC
One Sears Tower
Suite 5800
Chicago, IL 60606
richard.levy@lw.com
vik.puri@lw.com

Christian L. Raisner
Van Bourg, Weinberg, Roger & Rosenfeld
180 Grand Avenue, Suite 1400
Oakland, CA 94612
craisner@vanbourg.com
courtnotices@vanbourg.com

Lisa M. Diem
Thompson Hine LLP
10 West Broad Street
Suite 700
Columbus, OH 43215-3435
lisa.diem@thompsonhine.com

Martin T. Fletcher
Aryeh E. Stein
Whiteford, Taylor & Preston LLP
Seven Saint Paul Street, Suite 400
Baltimore, Maryland 21202
mfletcher@wtplaw.com
astein@wtplaw.com

Marilyn J. Brasier
O'Malley, Miles, Nylen & Gilmore, PA
11785 Beltsville Drive, Tenth Floor
Calverton, MD 20705
mbrasier@omng.com

Karen Dale
Greater Southeast Community Hospital Corp.
1310 Southern Avenue SE
Washington, DC 20032-4623
kdale@dc.doctorscommunity.com

Daniel M. Litt, Esq.
Dickstein, Shapiro, Morin & Oshinsky LLP
2101 L Street NW
Washington, DC 20037-1528
LittD@dsmo.com

Deborah L. Thorne, Esq.
Barnes & Thornburg
1 North Wacker Drive, Suite 4400
Chicago, IL 60606
(Counsel for Seaway National Bank)
deborah.thorne@btlaw.com

Deborah H. Devan, Esq.
Neuberger, Quinn, Gielen, Rubin & Gibber, P.A.
One South Street, 27th Floor
Baltimore, MD 21202-3282
dhd@nqgrg.com

Ken Jensen
Varga, Berger, Ledsky, Hayes & Casey
224 South Michigan Avenue, Suite 350
Chicago, IL 60604
(Counsel for University of Chicago Hospitals)
kjensen@vblhc.com