

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA**

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

**STIPULATION BETWEEN PACIFICA OF THE VALLEY CORPORATION,
ENVISION HOSPITAL CORPORATION
AND HEALTH NET, INC., AND ORDER APPROVING SAME**

Health Net, Inc. (“Health Net”) and Reorganized Debtors¹ Pacifica of the Valley Corporation (“Pacifica”) and Envision Hospital Corporation f/k/a Doctors Community Healthcare Corporation (“Envision”) hereby agree and stipulate as follows:

¹ The Reorganized Debtors are Doctors Community Healthcare Corporation (now known as Envision Hospital Corporation), Greater Southeast Community Hospital Corporation I, PACIN Healthcare-Hadley Memorial Hospital Corporation, Michael Reese Medical Center Corporation, Pacifica of the Valley Corporation, each as reorganized pursuant to the Debtors’ Modified Second Amended Joint Chapter 11 Plan of Reorganization confirmed in the above-captioned cases.

WHEREAS, Pacifica and Health Net, by and through its former affiliate, Managed Alternative Care/American VitalCare, Inc. d/b/a VitalCare America/HealthNet, Inc. (“MAC”) were parties to one or more agreements (collectively, the "Sub-Acute Management Agreement"), as amended from time to time, whereby MAC, provided sub-acute management services to Pacifica since prior to the Petition Date (as defined below);

WHEREAS, on November 20, 2002 (the "Petition Date"), each of the above-captioned Debtors commenced with this Bankruptcy Court a voluntary case under chapter 11 of the Bankruptcy Code;

WHEREAS, the Debtors’ Modified Second Amended Joint Chapter 11 Plan of Reorganization (the "Plan") was confirmed pursuant to an Order (the "Confirmation Order") entered by the Bankruptcy Court on April 2, 2004. The Plan became effective according to its terms on April 5, 2004 (the "Plan Effective Date"). The transactions contemplated by the Plan have been carried out, and the Plan has been substantially consummated;

WHEREAS, the Sub-Acute Management Agreement was rejected by Pacifica as of the Effective Date in accordance with the procedures for assumption and rejection of executory contracts set forth in the Plan and Confirmation Order;

WHEREAS, on or about October 10, 2006, Health Net filed a Motion for Allowance and Payment of Administrative Expense Claim Pursuant to 11 U.S.C. § 503(b) (docket number 3030, the “Motion”) in the Reorganized Debtors’ cases, thereby seeking allowance and payment, on an administrative expense priority basis, in the amount of \$661,518.17 (the "Administrative Expense Claim") for unpaid charges arising under the Sub-Acute Management Agreement between the Petition Date and the Plan Effective Date (the "Case Administration Period");

WHEREAS, on or about October 30, 2006, the Reorganized Debtors filed their Objection to the Motion, thereby denying that any amounts were owed by Pacifica under the Sub-Acute Management Agreement for charges arising during the Case Administration Period; and

WHEREAS, after an exchange of documents and arms-length, good faith negotiations, the Reorganized Debtors and Health Net have agreed to resolve the Motion in accordance with the terms and conditions set forth in this Stipulation and Order.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Reorganized Debtors and Health Net agree as follows:

1. Pacifica and Envision (collectively, the "Payors") jointly and severally agree to pay Health Net the sum of \$400,000 (the "Settlement Amount"). The Payors shall pay \$50,000 of the Settlement Amount within ten (10) calendar days of the date that the order approving this Stipulation becomes "final" (as defined below). The \$350,000 balance of the Settlement Amount remaining after payment of the Initial Payment shall be paid in eighteen (18) monthly installments in the amount of \$19,444.44, with the first installment to be paid on the last business day of the month that the order approving this Stipulation becomes "final" and with subsequent installments due on the last business day of the seventeen (17) succeeding months thereafter until the entire Settlement Amount has been paid, provided, however, that the final installment payment shall be in the amount of \$19,444.52. Checks for payment of the Settlement Amount shall be made payable to "Health Net, Inc." and shall be delivered to the following address:
Health Net, Inc.; Attn: Cory Sotolov, Legal Department; 21650 Oxnard Street, Suite 1560, Woodland Hills, California 91367.

2. In the event that any of the payments due under this Stipulation are not remitted timely, Health Net may notify the Payors in writing by facsimile or at the address set forth below

of the outstanding payment and the Payors shall have ten (10) calendar days from the date of service of the notice of the outstanding payment to present payment. If the payment is not delivered to Health Net by the close of business on the tenth (10th) calendar day after service of the notice of outstanding payment, then Payors shall be in default of their obligations under this Agreement and shall owe Health Net and shall tender, in addition to the monthly installment, the sum equivalent to five percent (5%) of the total payment due and owing for that particular month. In the event of a default, Health Net may also, at its option and by written notice to Payors, declare the mutual releases provided in this Stipulation to be null and void and Health Net may thereafter commence legal proceedings including the re-filing of the Motion, or take other steps, to seek to collect the full amount of its Administrative Expense Claim, less the amount of any payments made by the Payors pursuant to this Stipulation, with the Payors retaining any and all of their defenses to the Administrative Expense Claim as if the parties had never entered into this Stipulation.

3. For purposes of this Stipulation, the order of the Bankruptcy Court approving the Stipulation (the "Order") shall be deemed "final" when (i) the time to appeal or petition for certiorari has expired and no timely appeal or petition for certiorari shall then be pending, or (ii) if a timely appeal or writ of certiorari has been sought, when the Order shall have been affirmed by the highest court to which such Order was appealed, or certiorari shall have been denied or reargument or rehearing on remand shall have been denied or resulted in no material modification of such Order, and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the

Bankruptcy Rules or other rules governing procedure in cases before the Bankruptcy Court may be filed with respect to such Order shall not cause such Order not to be final and non-appealable.

4. Effective upon Health Net's receipt of the entire Settlement Amount, Health Net releases, acquits and forever discharges the Reorganized Debtors and their officers, directors and shareholders (collectively, the "Reorganized Debtor Releasees") from any and all claims, demands, actions, causes of action, damages, costs, or other claims whatsoever in law or equity, which Health Net may have against the Reorganized Debtor Releasees by reason of any matters, causes or things, arising out of or related to the Administrative Expense Claim. Health Net specifically does not release the Reorganized Debtors from any claims for contribution and/or indemnification arising from any negligence or wrongful death claims that have or may be asserted against Health Net by nonparties to the Sub-Acute Management Agreement.

5. Effective upon Health Net's receipt of the entire Settlement Amount, the Reorganized Debtors release, acquit and forever discharge Health Net and its officers, directors and shareholders (collectively, the "Health Net Releasees") from any and all claims, demands, actions, causes of action, damages, costs, or other claims whatsoever in law or equity, which the Reorganized Debtors may have against the Health Net Releasees by reason of any matters, causes or things arising out of or related to the Administrative Expense Claim. The Reorganized Debtors specifically do not release the Health Net Releasees from any claims for contribution and/or indemnification arising from any negligence or wrongful death claims that have or may be asserted against the Reorganized Debtors by nonparties to the Sub-Acute Management Agreement.

6. This Stipulation shall be construed as addressing only the matters specifically set forth herein.

7. The Motion is deemed resolved by consent pursuant to this Stipulation. Nothing contained in this Stipulation shall be deemed a waiver of Health Net's right to re-file the Motion in the event that Health Net does not receive payment of the Settlement Amount in full.

8. This Stipulation is binding upon the parties hereto and their successors and assigns.

9. Each party to this Stipulation shall bear its own attorneys' fees and costs arising from or relating to the Motion and this Stipulation.

10. No amount provided for in this Stipulation is or may be an obligation of The DCHC Liquidating Trust.

Dated: July 23 , 2008

/s/ John H. Thompson
Peter M. Friedman (D.C. Bar No.474966)
John H. Thompson (D.C. Bar No.484852)
Cadwalader Wickersham & Taft LLP
1201 F Street, NW
Washington, D.C. 20004
(202) 862-2200

Andrew M. Troop (*admitted pro hac vice*)
Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, NY 10281
(212) 504-6000

Ted Berkowitz (*admitted pro hac vice*)
Patrick Collins (*admitted pro hac vice*)
Farrell Fritz, P.C.
1320 RexCorp Plaza
Uniondale, New York 11556
(516) 227-0700

Counsel to the Reorganized Debtors

Dated: July 23 , 2008

/s/ Patrick J. Potter
Patrick J. Potter (D.C. Bar No. 39766)
PILLSBURY WINTHROP SHAW
PITTMAN LLP
2300 N Street, N.W.
Washington, D.C. 20037
(202) 663-8000

and

William B. Freeman
PILLSBURY WINTHROP SHAW
PITTMAN LLP
725 South Figueroa Street, Suite 2800
Los Angeles, California 90017-4506
(213) 488-7100

Counsel for Health Net, Inc.

NO OBJECTION:

WHITE & CASE LLP

By: /s/ Jeffrey E. Schmitt
Jeffrey E. Schmitt (D.C. Bar No. 490013)
Joshua M. Hantman (D.C. Bar No. 488058)
701 Thirteenth St., N.W.
Washington, D.C. 20005
(202) 626-3600

*Counsel to Sam J. Alberts, Trustee
for The DCHC Liquidating Trust*