ORIGINAL

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Debtor and Debtor in Possession

Debtor's Mailing Address:
3405 W. Imperial Highway, Suite 304
Inglewood, California 90303

CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY

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**UNITED STATES BANKRUPTCY COURT**

**CENTRAL DISTRICT OF CALIFORNIA**

**LOS ANGELES DIVISION**

| | |
|---|---|
| In re | Case No. LA 05-22627-TD |
| WATTS HEALTH FOUNDATION, INC. dba UHP HEALTHCARE, a California corporation, | Chapter 11 |
| Debtor. | **APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF ALVAREZ & MARSAL LLC AS RESTRUCTURING ADVISOR TO THE DEBTOR AS OF JUNE 3, 2005;** UST COMMENTS |
| | **[Hearing To Be Set If Required]** |
| Tax I.D. No. 95-2623688 | |



10298

**TO THE HONORABLE THOMAS B. DONOVAN, UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND ITS COUNSEL, AND PARTIES REQUIRED TO BE SERVED PURSUANT TO THE DEBTOR'S LIMIT NOTICE ORDER:**

## I.

## INTRODUCTION

WATTSHealth Foundation, Inc. d.b.a. UHP Healthcare ("UHP" or the "Debtor"), hereby applies for entry of an order authorizing the retention and employment of Alvarez & Marsal LLC ("A&M") as its restructuring financial advisor ("Restructuring Advisor") in this chapter 11 case, effective as of June 3, 2005, pursuant to sections 327(a) and 330 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2014-1 of the Local Bankruptcy Rules for the Central District of California (the "Local Rules") pursuant to the terms and conditions of the engagement letter ("Engagement Letter") attached to the annexed Declaration of Bradley A. Lang (the "Lang Declaration") as Exhibit "1" thereto.

In support of this Application, the Debtor respectfully represents:

## II.

## BACKGROUND

On May 31, 2005 (the "Petition Date"), the Debtor commenced this case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its assets as a debtor-in-possession, pursuant to Bankruptcy Code sections 1107(a) and 1108. No trustee or examiner has been appointed in this case.

The Debtor is an accredited, not-for-profit, federally qualified health maintenance organization ("HMO") providing comprehensive medical and dental services for commercial, Medi-Cal and Medicare members in the Greater Southern California area. The company is headquartered in Inglewood, California, and its HMO network currently has approximately 90,000 enrollees and covers approximately 60 California hospitals and 3,000 physicians. In the year ending on December 31, 2004, the Debtor generated revenues of approximately $207 million.

**III.**

**RETENTION OF A&M**

The Debtor hereby requests that the Court approve the employment of A&M as its Restructuring Advisor in this chapter 11 case. Specifically, the Debtor respectfully requests the entry of an order pursuant to Bankruptcy Code section 327(a) authorizing A&M to provide consulting services and support to Debtor's management with respect to advising the Debtor of restructuring alternatives as more fully described below.

**IV.**

**SCOPE OF A&M'S SERVICES**

Pursuant to the terms of the Engagement Letter, a copy of which is attached as Exhibit "1" to the Lang Declaration, the Debtor anticipates that A&M's services will include:

a. undertaking, in consultation with members of management, an analysis of the business, operations, financial condition and prospects of the Debtor;

b. reviewing with members of management the Debtor's financial plans and analyzing its strategic plans and business alternatives;

c. assisting the Debtor in reviewing and assessing its cash-flow and income projections;

d. assisting with the sale of parts or all of the Debtor;

e. analyzing existing direct and contingent liabilities of the Debtor (including debt obligations and other liabilities);

f. ascertaining the debt-servicing capabilities of the Debtor and any additional funding requirements, including working-capital, trade-financing, equipment acquisition, and other financing needs;

g. advising the Debtor with respect to available capital and financing alternatives, including recommending specific courses of action;

h. assisting the Debtor in its presentations to creditors and regulators of its projections and restructuring plan;

i. assisting the Debtor with respect to post-bankruptcy strategy;

j. assisting the Debtor with bankruptcy administration;

k. assisting the Debtor in negotiations with key creditors and regulators;

l. providing restructuring advice and assistance to the Debtor in developing and seeking approval of a restructuring plan, which may be a plan of

reorganization under chapter 11 of the Bankruptcy Code;

m. participating in hearings before this Court; and

n. participating in other activities as that may be requested by the Debtor.

Subject to this Court's approval, A&M is willing to serve as the Debtor's Restructuring Advisor and to perform the services described above and in the Engagement Letter

**V.**

**QUALIFICATIONS OF A&M**

A&M is particularly well-suited to provide the Debtor with restructuring and turnaround services in this chapter 11 case. Founded in 1983, A&M is a private firm with over 400 employees, with 20 offices in 6 countries. A&M is a well-regarded global corporate turnaround specialist, providing expertise in all key areas of financial restructuring and operational turnarounds. A&M's broad range of corporate advisory services includes services pertaining to general financial advice, corporate restructuring, liquidity concerns, business plan development, crisis management and implementing cash conservation guidelines and controls.

A&M has been involved in numerous nationally prominent restructurings and reorganizations, with clients spanning a broad range of industries. Among the various clients A&M has advised are: AMERCO, Inc., Ames Department Stores, Inc.; Health South, Inc.; Levis Strauss, Inc.; Camelot Music, Inc.; Color Tile, Inc.; Birmingham Steel Corporation; e-Spire Communications, Inc.; Iridium LLC; Kaiser Aluminum Corp.; MobilMedia, Inc.; Pacific Gas and Electric Company; Phar-Mor, Inc.; Telegroup, Inc.; Warnaco Group,.

Inc.; Aladdin Gaming, LLC; Trump Casinos; Timex Corporation; Fleming Companies, Inc.; Interstate Bakeries Corporation; World Kitchen, Inc.; and Formica Corporation. A&M has particular expertise in the healthcare services and insurance industries, having recently provided advisory services, either in the restructuring or performance enhancement context, to Charter Medical; Integrated Health Services, Inc; and Women's Cancer Center.

The principal professional of A&M who will be responsible for providing consulting services to the Debtor is Bradley A. Lang, Senior Director. Mr. Lang's team will include Matt Thompson, Senior Associate. Biographies for the A&M team are attached as Exhibit "2" to the Bradley Declaration. In addition, from time to time, the Debtor will utilize the services of additional employees of A&M.

**VI.**

**COMPENSATION**

Following arm's-length negotiations, the parties agreed to mutually acceptable terms of engagement. The terms of A&M's engagement are set forth in full in the Engagement Letter attached as Exhibit "1" to the Lang Declaration.

A&M has not received a retainer from the Debtor. A&M has agreed to accept as compensation for its services the sums as may be allowed by this Court in accordance with the law and the Local Bankruptcy Rules.

The Debtor hereby requests approval to pay A&M for its services in accordance with A&M's ordinary and customary rates in effect at the time services are rendered as described in the

Engagement Letter, which is attached as Exhibit "1" to the Lang Declaration. In particular, the billing rates for A&M employees are set forth below:

| | |
|---|---|
| a. Managing Directors | $450-575 |
| b. Directors (Bradley Lang -$450) | $350-450 |
| c. Associates (Matt Thompson - $350) | $250-350 |
| d. Analysts | $150-225 |
| e. Para-professionals | $75-150 |

The hourly rates set forth above are subject to periodic adjustments to reflect economic and other conditions. A&M anticipates that some or all of the above hourly rates may increase, as is customary, for calendar year 2006. As set forth in the Lang Declaration, A&M neither intends nor has any agreement to share any compensation or reimbursement received in connection with this case with any person except as may otherwise be permitted by Bankruptcy Code section 504.

In addition, the Engagement Letter provides that, the Debtor will reimburse A&M for all reasonable out-of-pocket expenses and internal charges for certain support activities, which are described in further detail in the Engagement Letter attached as Exhibit "1" to the Lang Declaration.

The Debtor has determined, in an exercise of its reasonable business judgment, that the services and terms offered by A&M were the best available. The fees to be charged by A&M pursuant to the Engagement Letter are competitive with the fees

charged by A&M in other representations, and the Debtor believes by financial restructuring advisors generally in similar circumstances. The Debtor believes that the terms of A&M's Engagement Letter are customary, fair and reasonable and that the retention of A&M by the Debtor is a reasonable business decision and in the best interests of its creditors and estate.

## VII.

## DISINTERESTEDNESS

To the best of the Debtor's knowledge, based upon the Lang Declaration annexed hereto, A&M and its personnel are disinterested persons, as such term is defined in U.S.C. § 101(14), who do not hold or represent an interest adverse to the estate. Other than as set forth in the Lang Declaration, A&M does not have any other or further connection with Debtor, its creditors, the Office of the United States Trustee, or any other party in interest in this case, or their respective attorneys or accountants. Accordingly, the employment of A&M is proper under Bankruptcy Code section 327.

The following supplemental disclosures are made with respect to A&M's disinterestedness, as set forth in the annexed Lang Declaration. References to A&M include all A&M professionals who are expected to render services in these chapter 11 cases:

a. A&M is not a creditor, an equity security holder or an insider of the Debtor.

b. A&M is not and was not an investment banker for any outstanding security of the Debtor.

c. A&M is not and was not, within three years before the Petition Date, either an investment banker for a

security of the Debtor or an attorney for such an investment banker in connection with the offer, sale, or issuance of any security of the Debtor.

d. A&M is not and was not, within two years before the Petition Date, a director, officer, or employee of the Debtor or any investment banker for any security of the Debtor.

e. A&M has no interest materially adverse to the interests of the Debtor's estate or of any class of creditors or equity security holders, either by reason of any direct or indirect relationship to, connection with, or interest in the Debtor or an investment banker for any security of the Debtor, or for any other reason.

f. A&M has no connection with the Office of the United States Trustee.

A&M has not provided, and will not provide, any professional services to any of the creditors, or other parties-in-interest of the Debtor or their respective attorneys and accountants with regard to any matter directly related to these chapter 11 cases.

If and when additional information becomes available with respect to any other relationships that may exist between A&M and the Debtor, its creditors or any other parties-in-interest which may affect these cases, supplemental declarations describing such information shall be filed with this Court.

## VIII.

## INDEMNIFICATION

As more specifically provided in the Engagement Letter, the Debtor has agreed to indemnify A&M and certain related parties against certain claims that may be asserted in connection with the engagement of A&M by the Debtor. The indemnification provided in the Engagement Letter is of a type that is customarily provided to financial advisors in their representation of clients, in recognition of the fact that such financial advisors act as representatives of their clients and rely to a great extent on information provided to them by such clients.

## IX.

## NOTICE

Pursuant to Local Bankruptcy Rule 2014-1, notice that this Application has been submitted to the Office of the United States Trustee has been served on the Debtor's secured creditors, the Official Committee of Unsecured Creditors and its counsel, those parties required to be served in accordance with the notice procedures established in these cases, and parties requesting special notice. The Debtor respectfully submits that such service and notice is sufficient under the circumstances and that no other or further notice needs to be provided. Attached hereto as Exhibit "4" is a copy of the "Notice Of Submission To The Office Of The United States Trustee Of 'Application For Order Authorizing the Employment and Retention of Alvarez & Marsal LLC as Restructuring Advisor to the Debtor As of June 3, 2005'", with proof of service thereof attached thereto.

## X.

## CONCLUSION

Based on the foregoing, the Debtor respectfully requests that this Court enter an order (i) authorizing the Debtor to employ A&M, pursuant to section 327 of the Bankruptcy Code, as its restructuring financial advisor, effective as of June 3, 2005, for the purposes and on the terms set forth herein; and (ii) authorizing the Debtor, pursuant to Bankruptcy Code section 330, to pay A&M in such amounts as the Court may hereafter allow.

Dated: July 1, 2005

WATTSHealth Foundation, Inc.
dba UHP HEALTHCARE
Debtor and Debtor-in-Possession

By: _____
Alan D. Bloom
Title: Chief Administrative Officer

Presented By:

_____
Gary E. Klausner, and
Christine M. Pajak, Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
[Proposed] Reorganization Counsel
to the Debtor and Debtor in Possession

**DECLARATION OF BRADLEY A. LANG**

I, Bradley A. Lang, declare as follows:

1. I am over 18 years of age, and I have personal knowledge of each of the facts stated in this declaration ("Declaration"), except for those facts stated on information and belief and, as to those facts, I am informed and believe them to be true.

2. I submit this declaration in support of the "Application For Order Authorizing The Employment And Retention Of Alvarez & Marsal LLC As Restructuring Advisor To The Debtor" (the "Application") filed by the above-captioned debtor and debtor-in-possession, WATTSHealth Foundation, Inc. (the "Debtor"), for an order authorizing the Debtor to employ and retain Alvarez & Marsal LLC ("A&M") as its restructuring financial advisor ("Restructuring Advisor") to the Debtor at the expense of the bankruptcy estate, effective as of the June 3, 2005.

3. Unless otherwise stated in this declaration, I have personal knowledge of the facts set forth herein and, if called as a witness, I would so testify thereto. Certain of the disclosures set forth herein relate to matters within the knowledge of other employees at A&M and are based on information provided by them to me. Unless otherwise defined, capitalized terms and phrases not otherwise defined herein shall have the meanings ascribed to such terms in the Application.

4. Pursuant to the terms of the retention agreement between A&M and the Debtor, a copy of which is attached hereto as Exhibit "1" (the "Engagement Letter"), A&M will render financial

advisory services to the Debtor throughout the course of this chapter 11 case. More specifically, A&M's services will include:

a. undertaking, in consultation with members of management, an analysis of the business, operations, financial condition and prospects of the Debtor;

b. reviewing with members of management the Debtor's financial plans and analyzing its strategic plans and business alternatives;

c. assisting the Debtor in reviewing and assessing its cash-flow and income projections;

d. assisting with the sale of parts or all of the Debtor;

e. analyzing existing direct and contingent liabilities of the Debtor (including debt obligations and other liabilities);

f. ascertaining the debt-servicing capabilities of the Debtor and any additional funding requirements, including working-capital, trade-financing, equipment acquisition, and other financing needs;

g. advising the Debtor with respect to available capital and financing alternatives, including recommending specific courses of action;

h. assisting the Debtor in its presentations to creditors and regulators of its projections and restructuring plan;

i. assisting the Debtor with respect to post-bankruptcy strategy;

j. assisting the Debtor with bankruptcy administration;

k. assisting the Debtor in negotiations with key creditors and regulators;

l. providing restructuring advice and assistance to the Debtor in developing and seeking approval of a restructuring plan, which may be a plan of reorganization under chapter 11 of the Bankruptcy Code;

m. participating in hearings before this Court; and

n. participating in other activities as that may be requested by the Debtor.

6. Subject to this Court's approval of the Application, A&M is willing to serve as the Debtor's restructuring and turnaround advisor and to perform the services described above. A&M neither intends nor has any agreement to share any compensation or reimbursement received in connection with this case with any person except as may otherwise be permitted by Bankruptcy Code section 504.

7. A&M is particularly well-suited to provide the Debtor with restructuring and turnaround services in these chapter 11 cases. Founded in 1983, A&M is a well-regarded global corporate turnaround specialist, providing expertise in all key areas of financial restructuring and operational turnarounds. A&M's broad range of corporate advisory services includes services pertaining to general financial advice, corporate restructuring, addressing liquidity concerns, business plan development, and implementing cash conservation guidelines and controls. A&M has been involved in numerous nationally prominent restructurings and reorganizations, with clients spanning a broad range of industries.

Among the various clients A&M has advised are: AMERCO, Inc., Ames Department Stores, Inc.; Health South, Inc.; Levi Strauss, Inc.; Camelot Music, Inc.; Color Tile, Inc.; Birmingham Steel Corporation; e-Spire Communications, Inc.; Iridium LLC; Kaiser Aluminum Corp.; MobilMedia, Inc.; Pacific Gas and Electric Company; Phar-Mor, Inc.; Telegroup, Inc.; Warnaco Group, Inc.; Aladdin Gaming, LLC; Trump Casinos; Timex Corporation; Fleming Companies, Inc.; Interstate Bakeries Corporation; World Kitchen, Inc.; and Formica Corporation. A&M has particular expertise in the healthcare services industry, having provided recent advisory services, either in the restructuring or performance enhancement context, to Charter Medical; Integrated Health Services, Inc; and Women's Cancer Center.

8. Subject to the Court's approval, A&M will charge for its services on an hourly basis in accordance with its ordinary and customary hourly rates in effect on the date services are rendered. These rates may change from time-to-time in accordance with A&M's established billing practices and procedures. I am the principal professional responsible for A&M's representation of the Debtor. The A&M team will also include Matt Thompson, Senior Associate. Biographies for the A&M team are attached hereto as Exhibit "2". In addition, from time to time, the Debtor will utilize the services of additional A&M employees. The billing rates for the A&M employees are set forth below:

| | |
|---|---|
| a. Managing Directors | $450-575 |
| b. Directors (Bradley Lang -$450) | $350-450 |
| c. Associates (Matt Thompson - $350) | $250-350 |

| | |
|---|---|
| d. Analysts | $150-225 |
| e. Para-professionals | $75-150 |

9. The hourly rates set forth above are subject to periodic adjustments to reflect economic and other conditions. A&M anticipates that some or all of the above hourly rates may increase, as is customary, for calendar year 2006. A&M will maintain detailed, contemporaneous records of time and any actual and necessary expenses incurred in connection with the rendering of the restructuring services described above by category and nature of the services rendered. A&M intends to apply to the Court for payment of compensation and reimbursement of expenses in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, and pursuant to any additional procedures that may be established by the Court in these cases.

10. Except as otherwise set forth below and in Exhibit "3" to this declaration, the professionals of A&M do not have any connection with the Debtor, the Debtor's creditors, the United States Trustee and any person employed by the Office of the United States Trustee, or any other party-in-interest or their respective attorneys and accountants. A&M is not a creditor, an equity security holder, or an insider of the Debtor or its estates. A&M has never been an investment banker for a security of the Debtor, or an attorney for an investment banker in connection with the offer, sale or issuance of a security of the Debtor.

11. A&M maintains a computer database of all matters in which A&M is involved for the specific purpose of ensuring that it does not engage in activities prohibited by applicable rules of

professional responsibility and to assist it in avoiding conflicts of interest. Additionally, A&M regularly communicates to its employees information with respect to new representations accepted by A&M that have a potential of giving rise to conflicts. This practice assists A&M in furthering its ongoing efforts to avoid conflicts of interest in the representations it accepts. In connection with its proposed retention by the Debtor in this cases, A&M researched its client database for the past several years to determine whether it had any relationships with the following entities: (i) the Debtor, its principal shareholders and officers and directors; (ii) the principal unsecured creditors of the Debtor as identified in the Debtor's official list of its twenty largest creditors; and (iii) the Debtor's principal secured creditors, Merrill Lynch and One United Bank. Based upon that review, A&M has determined that A&M has not represented any of the Debtor's creditors or other parties in its dealings with the Debtor. In addition, A&M has not represented any of the Debtor's creditors in matters unrelated to this case.

12. A&M periodically will review its files during the pendency of this chapter 11 case. If any new relevant facts or relationships are discovered or arise, A&M will promptly file a Supplemental Declaration as Bankruptcy Rule 2014(a) requires

13. In summary, A&M has not represented any creditor or other party in their dealings with the Debtor or otherwise. A&M believes that its proposed employment by the Debtor is not prohibited by or improper under any provision of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the applicable rules of professional responsibility and conduct, or the cases

interpreting those statutes and rules applicable in this judicial district. A&M believes that it does not represent and does not hold any interest adverse to the Debtor's estate, and that it is a "disinterested person" as that term is defined in § 101(14) of the Bankruptcy Code.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 1st day of July, 2005 at Los Angeles, California.

Bradley A. Lang

ALVAREZ & MARSAL

633 West Fifth Street, Suite 2560
Los Angeles, CA 90071
Phone: (213) 330-2390
Fax: (213) 330-2133

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**ENGAGEMENT LETTER**

June 3, 2005

Alan D. Bloom, Chief Administrative Officer
WATTSHealth Foundation, Inc.
3405 West Imperial Highway, Suite 304
Inglewood, CA 90303

Dear Mr. Bloom:

This Letter sets forth the terms and conditions of the engagement between Alvarez & Marsal ("A&M") and WATTSHealth Foundation, Inc., *d.b.a.* UHP Healthcare (the "Company" or the "Debtor"), including the scope of the services to be performed and the basis of compensation for those services. Upon execution of this letter by each of the parties below, this letter will constitute an agreement between the Company and A&M.

**1. Description of Services**

A. A&M shall provide restructuring advisory services to the Company's Board of Directors, and assist the Company in the restructuring of its organization. The Company filed bankruptcy under Chapter 11 of the United States Bankruptcy Code on May 31, 2005, and is operating as a debtor-in-possession. It is anticipated that A&M's activities shall include the following in connection with the restructuring of the Company (the "Restructuring Assignment"):

a. undertaking, in consultation with members of management, an analysis of the business, operations, financial condition and prospects of the Debtor;
b. reviewing with members of management the Debtor's financial plans and analyzing their strategic plans and business alternatives;
c. assisting the Debtor in reviewing and assessing their cash-flow and income projections;
d. assisting with the sale of parts or all of the Debtor;
e. analyzing existing direct and contingent liabilities of the Debtor (including debt obligations and other liabilities);
f. ascertaining the debt-servicing capabilities of the Debtor and any additional funding requirements, including working-capital, trade-financing, equipment acquisition, and other financing needs;
g. advising the Debtor with respect to available capital and financing alternatives, including recommending specific courses of action;
h. assisting the Debtor in their presentations to creditors and regulators of their projections and restructuring plan;
i. assisting the Debtor with respect to post-bankruptcy strategy;
j. assisting the Debtor with bankruptcy administration;

k. assisting the Debtor in negotiations with key creditors and regulators;
l. providing restructuring advice and assistance to the Debtors in developing and seeking approval of a restructuring plan, which may be a plan of reorganization under chapter 11 of the Bankruptcy Code;
m. participating in hearings before this Court; and
n. participating in other activities as may be requested by the Debtor.

You understand that the services to be rendered by A&M may include the preparation of projections and other forward-looking statements, and numerous factors can affect the actual results of the Company's operations, which may materially and adversely differ from those projections. In addition, A&M will be relying on information provided by the Company in the preparation of those projections and other forward-looking statements. A&M makes no representation or guarantee that an appropriate restructuring proposal can be formulated for the Company, that restructuring is the best course of action for the Company or, if formulated, that any proposed restructuring plan will be accepted by the Company's creditors, shareholders, and other constituents. Further, A&M assumes no responsibility for the implementation or selection of any restructuring proposal that it assists the Company in formulating

In rendering its services to the Company, A&M will report directly to the President, CEO, Chief Financial Officer, Chief Administrative Officer, and the Board of Directors and will make recommendations to and consult with the President, CEO, Board of Directors, and such other senior officers as directed.

B. Bradley A. Lang, a Senior Director of A&M, will be responsible for the overall engagement He will be assisted by other A&M personnel.

A&M personnel providing services to the Company may also work with other A&M clients in conjunction with unrelated matters.

**2. Compensation**

A. In connection with the Restructuring Advisory Assignment, A&M will receive:

a. A&M's engagement will be effective as of June 3, 2005. A&M shall be entitled to advisory fees for professional services rendered on an hourly rate basis in accordance with the schedule of rates below (the "Hourly Billing Rate").

| | | |
|---|---|---|
| 1. . | Managing Directors | $450-575 |
| 2. | Directors<br>(Bradley Lang - $450) | $350-450 |
| 3. | Associates<br>(Matt Thompson - $350) | $250-350 |
| 4. | Analysts | $150-225 |
| 5. | Para-professionals | $75-150 |

Staffing levels will be established based on the needs of the Company. A&M will use company staff as much as possible and/or practical to keep restructuring costs to a minimum.

b. Reimbursibles

In addition to our fees, A&M will be reimbursed for its reasonable out-of- pocket expenses incurred in connection with this assignment, such as travel, lodging, duplicating, computer research, messenger, and telephone charges. A&M shall also be reimbursed for the reasonable fees and expenses of its counsel incurred in connection with any enforcement of this Agreement

Invoices will be submitted to the Company pursuant to the procedures approved by the court and are due upon receipt. The Company will wire funds due directly to A&M upon receipt of invoices.

The Company acknowledges that A&M may, at its option and expense and after announcement of the Restructuring, place announcements and advertisements or otherwise publicize the Restructuring and A&M's role in it (which may include the reproduction of the Company's logo), provided, however, no reference to the Company or use of its marks in any such publicity may occur without the Company's express, prior, written approval, such approval not to be unreasonably withheld.

## 3. Term

The engagement will commence as of June 3, 2005 and may be terminated by either party without cause by giving 30 days' written notice to the other party. In the event of any such termination, any fees and expenses due to A&M shall be remitted promptly (including fees and expenses that accrued prior to but were invoiced subsequent to such termination).

The Company may immediately terminate A&M's services hereunder at any time for Cause (as defined below) by giving written notice to A&M. Upon any such termination, the Company shall be relieved of all of its payment obligations under this Agreement, except for the payment of fees and expenses through the effective date of termination (including fees and expenses that accrued prior to but were invoiced subsequent to such termination) and its obligations under Section 8.

For purposes of this Agreement, "Cause" shall mean if A&M breaches any of its material obligations hereunder and does not cure such breach within a reasonable time not to exceed 30 days of the Company having given written notice of such breach to A&M describing in reasonable detail the nature of the alleged breach.

A&M shall be entitled to immediately terminate its services hereunder for Good Reason. For purposes of this Agreement, termination for "Good Reason" shall mean either its resignation caused by a breach by the Company of any of its material obligations under this Agreement that is not cured within a reasonable time not to exceed 30 days of A&M having given written notice of such breach to the Company describing in reasonable detail the nature of the alleged breach or if the case is converted to one under Chapter 7 of the United States Bankruptcy Code.

## 4. Relationship of the Parties

The parties intend that an independent contractor relationship will be created by this engagement letter. Neither A&M nor any of its personnel nor subcontractors is to be considered an employee or agent of the Company and the personnel and subcontractors of A&M are not entitled to any of the benefits that the Company provides for the Company employees. The Company acknowledges that A&M's engagement shall not constitute an audit, review, or compilation, or any other type of financial-statement-reporting engagement that is subject to the rules of the AICPA, SEC, or other state or national professional or regulatory body.

## 5. No Third Party Beneficiary

The Company acknowledges that all advice (written or oral) given by A&M to the Company in connection with this engagement is intended solely for the benefit and use of the Company (limited to its Board of Directors and management) in considering the matters to which this engagement relates. The Company agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted, or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

## 6. Conflicts

A&M is not currently aware of any relationship that would create a conflict of interest with the Company or those parties-in-interest of which you have made us aware. Because A&M is a consulting and advisory firm that serves clients on a national basis in numerous cases, both in and out of court, it is possible that A&M may have rendered services to or have business associations with other entities or people who had or have or may have relationships with the Company, including creditors of the Company. In the event you accept the terms of this engagement, A&M will not represent, and A&M has not represented, the interests of any such entities or people in connection with this matter.

## 7. Confidentiality / Non-Solicitation

A&M shall keep as confidential all nonpublic information received from the Company in conjunction with this engagement, except: (i) as requested by the Company or its legal counsel; (ii) as required by legal proceedings; or (iii) as reasonably required in the performance of this engagement. All obligations as to nondisclosure shall cease as to any part of such information to the extent that such information is or becomes public other than as a result of a breach of this provision. The Company and A&M, on behalf of themselves and their respective affiliates, each agree not to solicit, recruit, or hire any consulting, managerial, or professional employees of the other effective from the date of this Agreement and continuing for a period of one year subsequent to the termination of this engagement or six months from such employee's termination of employment with the respective party who was the employer during this engagement, whichever is sooner. Should the Company, any affiliate or any person who acquires all or substantially all of the assets of the Company or an affiliate, extend offers of employment to any A&M

employee and should such an offer be accepted, A&M will be entitled to a fee based upon such individual's hourly rates multiplied by an assumed annual billing of 2,000 hours. Should A&M, any affiliate or any person who acquires all or substantially all of the assets of the Company or an affiliate, extend offers of employment to a Company employee and should such an offer be accepted, the Company will be entitled to a fee based upon such individual's annualized salary as of the date the offer is extended by A&M. This fee would be payable at the time of the individual's acceptance of employment from the Company or A&M, as applicable.

**8. Indemnification**

The attached indemnification agreement is incorporated herein by reference and shall be executed upon the acceptance of this Agreement. Termination of this engagement shall not affect these indemnification provisions, which shall remain in full force and effect.

**9. Miscellaneous**

This engagement letter (together with the attached indemnity provisions): (a) shall be governed and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; and (c) may not be amended or modified except in writing executed by both parties hereto. The Company and A&M agree to waive trial by jury in any action, proceeding, or counterclaim brought by or on behalf of the parties hereto with respect to any matter relating to or arising out of the engagement or the performance or non-performance of A&M hereunder. The Company and A&M agree that the bankruptcy court shall have jurisdiction over any and all matters arising under or in connection with this engagement letter and the indemnity provisions and in connection with the services rendered by A&M hereunder.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms.

Very truly yours,

ALVAREZ & MARSAL, LLC

By: [signature]

Bradley A. Lang
Senior Director

Date June 24, 2005

**Accepted and agreed:**

WATTSHEALTH FOUNDATION, INC.
dba UHP HEALTHCARE

By: [signature]

Alan D. Bloom
Chief Administrative Officer

Date: 7/1/05



EXHIBIT 1

## INDEMNIFICATION AGREEMENT

This indemnity is made part of an agreement, dated June 3, 2005 (which together with any renewals, modifications or extensions thereof, is herein referred to as the "Agreement" by and between Alvarez & Marsal ("A&M") and WATTSHealth Foundation, Inc., *d.b.a.* UHP Healthcare (the "Company" or the "Debtor"), for services to be rendered to the Company by A&M.

A. The Company agrees to indemnify and hold harmless each of A&M, its shareholders, employees, agents, representatives, and subcontractors (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations, and expenses, including the costs for counsel or others (including employees of A&M, based on their then-current hourly billing rates) in investigating, preparing, or defending any action or claim, whether or not in connection with litigation in which any Indemnified Party is a party, or enforcing the Agreement (including these indemnity provisions), as and when incurred, caused by, relating to, based upon, or arising out of (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of their obligations under the Agreement; provided, however, such indemnity shall not apply to any such loss, claim, damage, liability, or expense to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of A&M, except to the extent for any such liability for losses, claims, damages, liabilities, or expenses that are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Company further agrees that it will not, without the prior consent of an Indemnified Party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit, or proceedings in respect of which such Indemnified Party seeks indemnification hereunder (whether or not such Indemnified Party is an actual party to such claim, action, suit, or proceeding) unless such settlement, compromise, or consent includes an unconditional release of such Indemnified Party from all liabilities arising out of such claim, action, suit, or proceeding.

B. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to the Indemnified Parties.

C. In any action, proceeding, or investigation in which any Indemnified Party proposes to demand indemnification hereunder, such Indemnified Party will notify the Company with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify the Company will not relieve the Company from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the defense of such action. The Company shall promptly pay expenses reasonably incurred by any Indemnified Party in defending, participating in, or settling any action, proceeding, or investigation in which such

Indemnified Party is a party or is threatened to be made a party or otherwise is participating in by reason of the engagement under the Agreement, upon submission of invoices therefore, whether in advance of the final disposition of such action, proceeding, or investigation or otherwise. Each Indemnified Party hereby undertakes, and the Company hereby accepts its undertaking, to repay any and all such amounts so advanced if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified therefore. If any such action, proceeding, or investigation in which an Indemnified Party is a party is also against the Company, the Company may, in lieu of advancing the expenses of separate counsel for such Indemnified Party, provide such Indemnified Party with legal representation by the same counsel who represents the Company, provided such counsel is reasonably satisfactory to such Indemnified Party, at no cost to such Indemnified Party; provided, however, that if such counsel or counsel to the Indemnified Party shall determine that due to the existence of actual or potential conflicts of interest between such Indemnified Party and the Company such counsel is unable to represent both the Indemnified Party and the Company, then the Indemnified Party shall be entitled to use separate counsel of its own choice, and the Company shall promptly advance its reasonable expenses of such separate counsel upon submission of invoices therefore. Nothing herein shall prevent an Indemnified Party from using separate counsel of its own choice at its own expense. The Company will be liable for any settlement of any claim against an Indemnified Party made with the Company's written consent, which consent shall not be unreasonably withheld.

D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts, or omissions that resulted in the losses, claims, damages, liabilities, and costs giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all losses, claims, damages, liabilities and expenses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.

E. In the event the Company and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in connection with any motion, action, or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action, or claim, promptly upon submission of invoices therefore and regardless of whether such retention or authorization is approved by any court. The Company will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed it under the Agreement (or any new engagement agreement) whether through

submission of a fee application or in any other manner, without offset, recoupment, or counterclaim, whether as a secured claim, an administrative-expense claim, an unsecured claim, a prepetition claim, or a postpetition claim.

F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition under Chapter 7 or 11 of the United States Bankruptcy Code (nor the conversion of an existing case to one under a different chapter) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.

G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or bylaws of the Debtors, any other agreements, any vote of stockholders or disinterested directors of the Debtors, any applicable law or otherwise.

WATTSHealth Foundation, Inc.
dba UHP Healthcare

By: _____

Alan D. Bloom
Chief Administrative Officer
Date 7/1/05

Alvarez & Marsal, LLC.

By: _____

Bradley A. Lang
Senior Director
Date June 24, 2005

## EXHIBIT 2: A&M BIOGRAPHIES

### Bradley A. Lang, Senior Director

Brad Lang specializes in working with distressed or underperforming companies on restructuring alternatives, business plan development and execution and strategies for maximizing performance and value. His experience in restructuring spans over 14 years and includes substantial assignments in healthcare, technology, manufacturing, services, and real estate.

Mr. Lang's advisory experience has included assisting clients engaged in out of court restructuring, due diligence, pre-bankruptcy planning, bankruptcy reorganization and a myriad of sale and other restructuring alternatives. Brad's most significant assignments have included the turnaround of a national long-term care company, Maxicare, MedPartners, Parkview Community Hospital Medical Center, MicoAge, the restructuring of an information storage company through a sale, and Baldwin Builders. In addition, he has worked with several manufacturing companies and real estate concerns.

Prior to joining A&M, Mr. Lang spent the majority of his professional career with the restructuring group of a national accounting firm.

He received a Bachelor of Science in business administration, specializing in finance and business economics from the University of Southern California.

**Matt Thompson, Senior Associate**

Matt Thompson has managed a wide range of Turnaround Consulting, Corporate Finance and Strategic Consulting projects in multiple industries. With over eight years of financial and strategic advisory experience, Mr. Thompson has led and implemented a broad array of initiatives with an emphasis on financial restructurings, M&A, divestitures, litigation consulting, pricing analyses, and operational improvements.

Matt has advised on notable assignments across several industry sectors including Telecom, Health Care Services/ Biotechnology, and Financial Services. Mr. Thompson's recent assignments have included Global Crossing, Exodus, and Teligent, Celerity Group, London Fog, and ExciteatHome (Debtor Side Advisory). Specifically, Matt has worked on over seven health care assignments, where he has evaluated physician group performance post-bankruptcy, developed business plans for health care startups, recommended acquisition opportunities for a major medical devices company, and has valued patent infringement damages for a pharmaceutical company. Prior to joining Alvarez & Marsal, Mr. Thompson was a Manager in the Restructuring Practice of a Big Four firm, Corporate Development Manager at Flashcom, and a Health Care/Technology M&A Associate with JPMorgan. Matt is a Certified Insolvency and Restructuring Advisor (CIRA), a CFA Level II candidate and has published several Technology and Healthcare Restructuring articles in *AIRA News* and *Corporate Renewal*. Mr. Thompson graduated with an M.B.A. from the Stanford Graduate School of Business with a certificate in Global Management, and a B.A. in Economics and Biology from Pomona College.

# EXHIBIT 3

Members of Lenders' Groups[1]
Hewlett Packard
Merrill Lynch[2]
Pitney Bowes
United Parcel Service[3]

Member of Official Creditors' Committees[4]
SBC Communications

Professionals & Advisors[5]
Merrill Lynch

Potential A&M Affiliate Clients
SBC Communications[6]

[1] A&M has advised counsel or agents for various lenders' groups in which these parties were either lenders or agents.
[2] A&M has also advised counsel or agents for lenders' groups in which affiliates of Merrill Lynch were members.
[3] A&M has not advised United Parcel Service, but has advised counsel for a lenders' group in which an affiliate of United Parcel Service was a member.
[4] A&M has advised an official creditors' committee in which SBC Communications was a member.
[5] Merrill Lynch has represented clients in matters where A&M was also an advisor (or provided crisis management) to the same client.
[6] An affiliate of A&M is currently negotiating an assignment with SBC Communications in a wholly unrelated matter.

GARY E. KLAUSNER (State Bar No. 69077) and
NATHAN A. SCHULTZ (State Bar No. 223539), Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
1901 Avenue of the Stars, 12th Floor
Los Angeles, California 90067
Telephone: (310) 228-5600
Facsimile: (310) 228-5788

[Proposed] Bankruptcy Counsel
for Debtor and Debtor in Possession

Debtor's Mailing Address:
3405 W. Imperial Highway, Suite 304
Inglewood, California 90303

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

| | |
|---|---|
| In re | Case No. LA 05-22627-TD |
| | Chapter 11 |
| WATTSHealth Foundation, Inc. dba UHP Healthcare, a California not-for-profit corporation, | **NOTICE OF SUBMISSION TO THE OFFICE OF THE UNITED STATES TRUSTEE OF THE "APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF ALVAREZ & MARSAL LLC AS RESTRUCTURING ADVISOR TO THE DEBTOR AS OF JUNE 3, 2005"** |
| Debtor. | **[Hearing To Be Set If Required]** |
| Tax I.D. No. 95-2623688 | |



EXHIBIT 4

**TO THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTOR'S SECURED CREDITORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND CERTAIN OTHER PARTIES IN INTEREST:**

**PLEASE TAKE NOTICE** that WATTSHealth Foundation, Inc. dba UHP Healthcare, debtor and debtor in possession in the above-captioned case (the "Debtor") has submitted to the Office of the United States Trustee its "Application For Order Authorizing The Employment And Retention Of Alvarez & Marsal LLC As Restructuring Advisor To The Debtor As Of June 3, 2005" (the "Application").

**PLEASE TAKE FURTHER NOTICE** that the Application requests that this Court enter an order authorizing the Debtor to employ and retain, pursuant to section 327 of the Bankruptcy Code, Alvarez & Marsal LLC ("A&M") as its restructuring financial advisor ("Restructuring Advisor") and to compensate A&M in such amounts as the Court may hereafter allow in accordance with Bankruptcy Code section 330.

**PLEASE TAKE FURTHER NOTICE** that a copy of the Application is available by written request to Kendra A. Johnson, Stutman, Treister & Glatt Professional Corporation, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, or by facsimile at (310) 228-5788.

**PLEASE TAKE FURTHER NOTICE** that any response to, and/or request for a hearing on, the Application must conform with Local Bankruptcy Rules 2014-1(b)(2) and 9013-1(a)(7), must be filed with this Court no later than 15 days from the date of service of this notice, and must be served no later than 15 days from the date of service of this notice on: (1) the Debtor's proposed bankruptcy counsel, Stutman, Treister & Glatt

EXHIBIT 4

Professional Corporation, Attn: Christine M. Pajak, Esq., 1901 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067; and (2) the Office of the United States Trustee, Attn: Bruce Schildkraut, Esq., 725 S. Figueroa St., 26th Floor, Los Angeles, California 90017.

**PLEASE TAKE FURTHER NOTICE** that Local Bankruptcy Rule 9013-1(a)(11) provides that the failure to timely file and serve required papers may be deemed by this Court to be consent to the granting of the relief requested in the Application.

DATED: July 5, 2005

CHRISTINE M. PAJAK
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
[Proposed] Bankruptcy Counsel for Debtor and Debtor in Possession

EXHIBIT 4

**DECLARATION OF SERVICE**

I am over the age of eighteen years and not a party to the within action. I am employed in an office that employs a member of the bar of this Court, at whose direction the within service was made. My business address is Stutman, Treister & Glatt Professional Corporation, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

On July 5, 2005, I caused to be served the following document:

**NOTICE OF SUBMISSION TO THE OFFICE OF THE UNITED STATES TRUSTEE OF THE "APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF ALVAREZ & MARSAL LLC AS RESTRUCTURING ADVISOR TO THE DEBTOR AS OF JUNE 3, 2005"**

on the interested parties in this action by placing true copies thereof, enclosed in sealed envelopes, with first-class postage thereon fully prepaid, in the United States mail at Los Angeles, California addressed as follows:

**SEE ATTACHED SERVICE LIST**

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 5, 2005, at Los Angeles, California.

Denice Gonzalez

Denice Gonzalez, Declarant

EXHIBIT 4 33

WATTSHealth Foundation, Inc.
SERVICE LIST
Doc. No. 375706
6/27/05

Debtor
Alan D. Bloom, Esq.
WATTSHealth Foundation, Inc.
3405 W. Imperial Highway, Suite 304
Inglewood, California 90303

Internal Revenue Service
Insolvency I Stop 5022
300 North Los Angeles Street, Room 4062
Los Angeles, CA 90012-9903

Ms. Amy Dobberteen
Dept. of Managed Health Care
980 Ninth Street, Suite 500
Sacramento, CA 95814

Member of Creditors Committee
St. Bernardine Medical Center
Attn: Suzan Vida Konell
251 S. Lake Avenue, Suite 700
Pasadena, CA 91101

Member of Creditors Committee
William D. Hobson, Jr., President & CEO
Watts Healthcare Corporation, Inc.
10300 Compton Avenue
Compton, CA 90002

Carolyn Foster, Sr. Staff Analyst
LAC King/Drew Medical Center
313 N. Figueroa Street, Room 527
Los Angeles, CA 90012-2602

Request for Special Notice
Atys:Anaheim Mem./O.C. Mem./L.B. Mem.
Paul R. Glassman/Adam M. Starr
Greenberg Traurig, LLP
2450 Colorado Avenue, Suite 400E

Request for Special Notice
Attys for County of Los Angeles
Robert E. Ragland/William C. Sias
Office of County Counsel
500 West Temple Street, Room 648
Los Angeles, CA 90012

Request for Special Notice
Attys for Watts Healthcare Corp.
Kevin B. Kroeker, Esq.
K&R Law Group LLP
350 South Grand Avenue, Suite 2100
Los Angeles, CA 90071

Bruce Schildkraut, Esq.
Office of the U.S. Trustee
725 South Figueroa Street, 26th Floor
Los Angeles, CA 90017

Secured Lender
Mr. Richard Scott
One United Bank
3683 Crenshaw Blvd.
Los Angeles, CA 90016

Ms. Myrtle John
BMC Managed Solutions
1330 East Franklin Avenue
El Segundo, CA 90245

Member of Creditors Committee
Long Beach Memorial Medical Center
Attn: Lisa R. Scheer, Sr. VP
7677 Center Avenue, Suite 403
Huntington Beach, CA 92647

Member of Creditors Committee
Chukah Chidi, CFO
La Vida Medical Group
4161 Redondo Beach Boulevard
Lawndale, CA 90260

Member of Creditors Committee
Development Specialist, Inc.
Attn: Geoffrey Berman
333 S. Grand Ave., Suite 2010
Los Angeles, CA 90071

Request for Special Notice
Attys for LA Care Health Plan
Hydee R. Feldstein/Victoria S. Kaufman
Paul, Hastings, et al.
515 South Flower Street, 25th Floor
Los Angeles, CA 90071

Request for Special Notice
Attys for Cedars-Sinai Medical Center
Lance N. Jurich, Esq.
Loeb & Loeb LLP
10100 Santa Monica Blvd., Suite 2200
Los Angeles, CA 90067-4164

Request for Special Notice
Attys for Gambro Healthcare
Thomas J. Polis, Esq.
Polis & Associates
19900 MacArthur Boulevard, Suite 960
Irvine, CA 92612-8420

Attys for Creditors Committee
Richard Diamond, Esq.
Danning Gill Diamond & Kollitz
2029 Century Park East, Suite 300
Los Angeles, CA 90067

Secured Lender
Ms. Carole Molyneax
Merrill Lynch
15 West South Temple, Suite 300
Salt Lake City, UT 84101

Member of Creditors Committee
University of Southern California Hospital
Attn: Lynn E. Iba
3 Imperial Promenade, Suite 740
Santa Ana, CA 92707

Member of Creditors Committee
Steve Levine, Corp. Dir. Reimbursement
Centinela Hospital Medical Center
555 E. Hardy Street
Inglewood, CA 90301

Member of Creditors Committee
Ira Meiselman, VP Managed Care
Good Samaritan Hospital
616 S. Witmer Street
Los Angeles, CA 90017

Request for Special Notice
Pamela Kohlman, Esq.
Randye B. Soref, Esq.
Buchalter, Nemer, Fields & Younger
604 South Figueroa Street, Suite 2400
Los Angeles, CA 90017

Request for Special Notice
Augustavia J. Haydel, General Counsel
John L. Rosenthal, Esq.
L.A. Care Health Plan
555 West Fifth Street, 29th Floor
Los Angeles, CA 90013

Request for Special Notice
Attys for Watts Healthcare Corp.
Karl E. Block, Esq.
Greenberg, Clusker, Esq.
1900 Avenue of the Stars, Suite 2100
Los Angeles, CA 90067-4590

Interested Party
Nancy S. Sexton, Esq.
MedImpact Healthcare Systems, Inc.
10680 Treena Street, 5th Floor
San Diego, CA 92131



EXHIBIT 4

Interested Party
Thomas E. Patterson, Esq.
Klee, Tuchin, et al.
2121 Avenue of the Stars, 33rd Fl.
Los Angeles, CA 90067

Request for Special Notice
Steven A. Oldham, Esq.
State of California Dept. of Health Services
MS 0010
PO Box 997413
Sacramento, CA 95899-7413

Request for Special Notice/Attys for
Promise Hosp. East LA dba Suburban Med Ctr
Mary H. Rose, Esq.
Proskauer Rose, LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067-3206

Bradley A. Lang
Alvarez & Marsal, LLC
633 West Fifth Street
Suite 2560
Los Angeles, CA 90071

Request for Special Notice
Clayton Carlos, Director
HealthNet
11971 Foundation Place, Building D
Rancho Cordova, CA 95670



EXHIBIT 4 -

**DECLARATION OF SERVICE BY MAIL**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California, in the Office of the United States Trustee under the supervision of a member of the bar of this court at whose direction the service was made; I am over the age of 18 and not a party to the within action; and my business address is 725 South Figueroa Street, Suite 2600, Los Angeles California.

On July 21, 2005, I served the foregoing document described as **COMMENTS OF OFFICE OF THE UNITED STATES TRUSTEE** on the interested parties at their last known address in this action by placing a true and correct copy thereof in a sealed envelope with postage thereon fully prepaid in the United States mail at Los Angeles, California, addressed as follows:

**DEBTOR:**
Alan D. Bloom
Watts Health Foundation, Inc.
3405 W. Imperial Highway, Suite 304
Inglewood, CA 90303

**ATTORNEYS FOR DEBTOR**
Gary E. Klausner, Esq.
Stutman, Treister & Glatt
1901 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067

**COUNSEL FOR COMMITTEE OF UNSECURED CREDITORS:**
Richard Diamond, Esq.
Danning Gill Diamond & Kollitz
2029 Century Park East, Suite 300
Los Angeles, CA 90067

I declare under penalty of perjury that the foregoing is true and correct.

DATED: July 21, 2005

Susan V. Trevino

**COMMENTS OF THE OFFICE OF THE UNITED STATES TRUSTEE**

( ) THE U.S. TRUSTEE TAKES NO POSITION.

( ) THE U.S. TRUSTEE HAS NO OBJECTION.

(X) THE U.S. TRUSTEE OBJECTS AND REQUESTS A HEARING.

( ) AN OBJECTION IS RAISED AS SET FORTH BELOW.

**COMMENTS:** U S TRUSTEE hereby submits his joinder to the limited opposition filed by the Official Committee of Unsecured Creditors

Dated 7/20, 2005

OFFICE OF THE U.S. TRUSTEE

By _____

Name Bruce Schildkraut
Attorney for the
United States Trustee

Case Name: **WATTSHealth Foundation, Inc. dba UHP Healthcare, a California no-for-profit corporation**

Case Number: Case No. LA 05-22627-TD

Type of Document: **APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF ALVAREZ & MARSAL LLC AS RESTRUCTURING ADVISOR TO THE DEBTOR AS OF JUNE 3, 2005**

**DECLARATION OF SERVICE**

I am over the age of eighteen years and not a party to the within action. I am employed in an office that employs a member of the bar of this Court, at whose direction the within service was made. My business address is Stutman, Treister & Glatt Professional Corporation, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

On July 5, 2005, I served the following:

**APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF ALVAREZ & MARSAL LLC AS RESTRUCTURING ADVISOR TO THE DEBTOR AS OF JUNE 3, 2005**

on the interested parties in this action by placing true copies thereof, enclosed in sealed envelopes, with first-class postage thereon fully prepaid, in the United States mail at Los Angeles, California addressed as follows:

| | |
|---|---|
| Bruce S. Schildkraut, Esq.<br>Office of the U.S. Trustee<br>725 South Figueroa Street<br>26th Floor<br>Los Angeles, CA 90017 | Attys for Creditors' Committee<br>Richard Diamond, Esq.<br>Danning Gill Diamond & Kollitz<br>2029 Century Park East<br>Suite 300<br>Los Angeles, CA 90067 |

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED on July 5, 2005, at Los Angeles, California.

Denice Gonzalez, Declarant