ORIGINAL

GARY E. KLAUSNER (State Bar No. 69077),
MICHAEL H. GOLDSTEIN (State Bar No. 115675) 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

Reorganization Counsel for
Debtor and Debtor In Possession

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

FILED
DEC - 5 2005

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 MOTION AND MOTION FOR ORDER PURSUANT TO SECTION 363(b) OF THE BANKRUPTCY CODE (I) APPROVING AMENDMENTS 004 AND 005 TO HEALTH PLAN ADMINISTRATION AGREEMENT BETWEEN DEBTOR AND MERIDIAN HEALTH CARE MANAGEMENT, INC.; AND (II) AUTHORIZING DEBTOR TO HIRE ONE OR MORE INDEPENDENT CONTRACTORS TO ASSIST WITH BANKRUPTCY CLAIMS PROCESSING; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF ALAN D. BLOOM IN SUPPORT THEREOF**
Debtor.	
Tax I.D. No. 95-2623688	**[Hearing To Be Set If Required]**

TO THE HONORABLE THOMAS B. DONOVAN, UNITED STATES BANKRUPTCY JUDGE; THE UNITED STATES TRUSTEE; THE DEBTOR'S SECURED CREDITORS; THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "COMMITTEE"); AND OTHER PARTIES REQUIRED TO BE SERVED PURSUANT TO THE COURT'S ORDER LIMITING NOTICE:

PLEASE TAKE NOTICE that WATTSHealth Foundation, Inc. dba UHP Healthcare, debtor and debtor in possession in the above-captioned chapter 11 case (the "Debtor"), hereby moves the Court for entry of an order pursuant to section 363(b) of the Bankruptcy Code: (1) approving Amendments 004 and 005 (the "Amendments") to the "Health Plan Administration Agreement" (as previously amended pursuant to Amendments 001 through 003, the "Meridian Agreement") between the Debtor and Meridian Health Care Management, Inc. ("Meridian"); and (2) authorizing the Debtor to hire one or more independent contractors to assist with bankruptcy claims processing.

A significant portion of the Debtor's pre-petition and post-petition liabilities consist of fee-for-service medical claims asserted by the various physicians, hospitals and other entities that provide healthcare services to the Debtor's members. Pursuant to the Meridian Agreement, Meridian performs the ordinary course review and reconciliation of the Debtor's fee-for-service medical claims, which process commonly is referred to as "adjudication". Since the commencement of the Debtor's chapter 11 case, Meridian has been adjudicating and processing payment for the Debtor's post-petition medical claims, and also has completed the adjudication process (but not processed payment) for nearly all of the Debtor's pre-petition medical claims.

Prior to the execution of Amendment 004, the term of the Meridian Agreement ran through December 31, 2005, with an automatic

year to year renewal unless the Debtor gave notice of termination at least 90 days prior to the end of the current term (i.e. on or before October 3, 2005). The Meridian Agreement did not allow early termination without cause by either party.

The Debtor negotiated Amendment 004 with Meridian in order to ensure that Meridian's claims processing services would continue to be available to the Debtor in 2006 (and potentially beyond), and to obtain greater flexibility for the Debtor to terminate the Meridian Agreement without cause. Amendment 004 extends the term of the Meridian Agreement through December 31, 2006, with the same automatic year to year renewal provision (unless either party provides 90 days notice of termination), and also allows the Debtor to terminate the agreement without cause upon 180 days notice in the event of (a) a cessation of the Debtor's business, (b) an acquisition of at least 25% of the Debtor's enrollment, or (c) a change in control within the Debtor's Board of Directors.

Aside from the ordinary course claims adjudication process, the Debtor's bankruptcy filing has increased the volume and number of services that the Debtor needs Meridian to perform. Meridian prepares additional reporting related to the Debtor's chapter 11 case, which reports are shared with the Committee on a regular basis. Meridian made alterations to its information systems to support the segregation and processing of pre-petition medical claims. In addition, Meridian generated much of the data and certain forms used in the Debtor's customized proof of claim process for fee-for-service providers. The Debtor anticipates that it will require Meridian to provide additional non-ordinary course

reporting and analytical services in connection with the analysis and resolution of the proofs of claim to be filed by fee-for-service providers in the Debtor's case. These supplemental services have required Meridian to devote additional time and resources above and beyond that which is required in the ordinary course claims adjudication process. Accordingly, the Debtor negotiated Amendment 005 with Meridian in order to provide fair compensation to Meridian for these additional bankruptcy-related services.

Finally, the Debtor has determined that the processing of proofs of claim will proceed most efficiently and expeditiously if the Debtor is able to hire, on an independent contractor basis, one or more persons who are familiar with the healthcare bankruptcy claims resolution process. While the Debtor's personnel (and Meridian) are very familiar with the medical claim adjudication process outside of bankruptcy, these independent contractors will provide valuable bankruptcy expertise by assisting the Debtor's personnel in analyzing proofs of claim, negotiating consensual resolutions of claims, and managing the claims objection process. The Debtor has identified one such person who participated extensively in the claims resolution process for the Maxicare chapter 11 case, and the Debtor may identify and seek to hire one or more additional persons with similar experience. The Debtor proposes to pay these independent contractors on an hourly basis.

PLEASE TAKE FURTHER NOTICE that, pursuant to Local Bankruptcy Rule 9013(g)(1)(A), the Debtor is requesting that the Court grant the Motion without a hearing unless a party in interest files timely a request for a hearing. Local Bankruptcy Rule 9013-

1(g)(1) requires that any response and request for hearing be filed and served within fifteen (15) days of the date of this Notice. Failure to file and serve timely a response may be deemed to constitute consent to the Motion.

A copy of this Motion was served as of the date hereof in compliance with this Court's order limiting notice in this case. This Motion is based on the attached Memorandum of Points and Authorities, section 363(b) of the Bankruptcy Code, this Notice of Motion and Motion, the Declaration of Alan D. Bloom annexed hereto, such other and further evidence as may be admitted at or before the hearing on the Motion, if any, and upon all of the records and files in this case.

WHEREFORE, the Debtor respectfully requests that the Court enter an order: (i) approving the Amendments to the Meridian Agreement; (ii) authorizing the Debtor to hire one or more independent contractors on an hourly basis to assist with bankruptcy claims processing; and (iii) granting such other and further relief as the Court may deem just and proper.

DATED: December 5, 2005

GARY E. KLAUSNER,
MICHAEL H. GOLDSTEIN and
NATHAN A. SCHULTZ, Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
Reorganization Counsel for
Debtor and Debtor in Possession

383477v1

MEMORANDUM OF POINTS AND AUTHORITIES

I.

STATEMENT OF FACTS

A. General Background.

On May 31, 2005 (the "Petition Date"), the Debtor commenced this chapter 11 case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. As permitted by Bankruptcy Code sections 1107(a) and 1108, the Debtor is continuing to operate its business as a debtor in possession.

B. The Debtor's Pre-Petition Relationship With Meridian.

A significant portion of the Debtor's pre-petition and post-petition liabilities consist of fee-for-service medical claims asserted by the various physicians, hospitals and other entities that provide healthcare services to the Debtor's members. Rather than analyzing and processing these claims for payment internally, the Debtor historically has outsourced this service to a third party processor. Prior to the Petition Date, the Debtor entered into a "Health Plan Administration Agreement" (as subsequently amended pursuant to Amendments 001 through 003, the "Meridian Agreement")[1] with Meridian Health Care Management, Inc. ("Meridian"). Pursuant to the Meridian Agreement, Meridian performs the ordinary course review and reconciliation of the

[1] The general description of the Meridian Agreement and the amendments thereto contained in this Motion is summary in nature. This summary is not meant to be an exhaustive recitation of all of the terms and conditions of the Meridian Agreement and its amendments, and is qualified in its entirety by the Meridian Agreement and its amendments, the terms and conditions of which shall control in the event of any conflict between this summary and the Meridian Agreement, as amended.

Debtor's fee-for-service medical claims, which process is referred to as "adjudication".

C. Post-Petition Events Requiring Amendment of the Meridian Agreement

Since the commencement of the Debtor's chapter 11 case, Meridian has been adjudicating and processing payment for the Debtor's post-petition medical claims, and also has completed the adjudication process (but not processed payment) for nearly all of the Debtor's pre-petition medical claims. The Debtor anticipates that, regardless of its ultimate restructuring path, it will continue to require Meridian to provide claims adjudication and other services through the end of 2005 and into 2006.

1. Amendment 004

Prior to the execution of Amendment 004, the term of the Meridian Agreement ran through December 31, 2005, with an automatic year to year renewal unless the Debtor gave notice of termination at least 90 days prior to the end of the current term (i.e. on or before October 3, 2005). The Meridian Agreement did not allow early termination without cause by either party.

The Debtor negotiated Amendment 004[2] with Meridian in order to ensure that Meridian's claims processing services would continue to be available to the Debtor in (and potentially beyond) 2006, and to obtain greater flexibility for the Debtor to terminate the Meridian Agreement without cause. Amendment 004 extends the term of the Meridian Agreement as follows:

---

[2] The Debtor provided a copy of Amendments 004 and 005 to the Meridian Agreement (the "Amendments") to the Official Committee of Unsecured Creditors (the "Committee") in accordance with the confidentiality agreement between the Debtor and the Committee.

> TERM: This Agreement shall commence on June 1, 2002 and shall continue until December 31, 2006. Thereafter, the Agreement will auto-renew for successive 1 year terms (January to December) unless either party gives notice of termination with or without cause no less than 90 days prior to the end of the then term.

In addition, Amendment 004 allows the Debtor to terminate the Meridian Agreement early and without cause pursuant to the following provision:

> UHP may terminate this agreement with no less than 180 days notice (a) in the event of a cessation of UHP's business, (b) in the event of an acquisition of UHP's assets representing 25% or more of UHP's then enrollment, or (c) in the event of a change in control, defined as a change in 60% or more of the then current members of the Board of Directors. In any instance of (a), (b), or (c) herein, such notice may not be given prior to January 1, 2006.

2. Amendment 005

Aside from the ordinary course claims adjudication process, the Debtor's bankruptcy filing has increased the volume and number of services that the Debtor needs Meridian to perform. Meridian prepares additional reporting related to the Debtor's chapter 11 case, which reports are shared with the Committee on a regular basis. Meridian made alterations to its information systems to support the segregation and processing of pre-petition medical claims. In addition, Meridian generated much of the data and certain forms used in the Debtor's customized proof of claim process for fee-for-service providers. The Debtor anticipates that it will require Meridian to provide additional non-ordinary course reporting and analytical services in connection with the analysis

and resolution of the proofs of claim to be filed by fee-for-service providers in the Debtor's case. These supplemental services have required (and will continue to require) Meridian to devote additional time and resources above and beyond that which is required in the ordinary course claims adjudication process. Accordingly, the Debtor negotiated Amendment 005 with Meridian in order to provide fair compensation to Meridian for these additional bankruptcy-related services.

Amendment 005 provides for two supplemental pricing components related to the additional bankruptcy-related services that the Debtor anticipates Meridian will provide, both of which will be payable through June 30, 2006. The first is a flat monthly fee of $11,325, which is payable, effective as of October 1, 2005, in addition to any other fees incurred under the Meridian Agreement or Amendment 005. The Debtor will pay this monthly fee to Meridian in return for the additional executive and management, technical level support that Meridian will provide to the Debtor related to the Debtor's bankruptcy case, including advisory services, data analytics and attendance at meetings and similar activities.

The second pricing component of Amendment 005 is a "Monthly Overage Fee" of $6.55 per claim. The Monthly Overage Fee is only payable to the extent that Meridian receives more than 13,000 claims for any of the calendar months from January, 2005 through and including May, 2005, and then only for any such claims received in excess of 13,000. The Debtor's typical claims experience suggests that the Debtor should receive less than 13,000 claims for each of these months. Therefore, the Monthly Overage Fee was designed to apply only in the event that the Debtor

requires Meridian to process a higher than normal claim volume for these five pre-petition months only.

D. The Independent Contractors.

The Debtor has determined that the processing of proofs of claim will proceed most efficiently and expeditiously if the Debtor is able to hire, on an independent contractor basis, one or more persons who are familiar with the healthcare bankruptcy claims resolution process (each, an "Independent Contactor"). While the Debtor's personnel (and Meridian) are very familiar with the medical claim adjudication process outside of bankruptcy, the Independent Contractors will provide valuable bankruptcy expertise by assisting the Debtor's personnel in analyzing proofs of claim, negotiating consensual resolutions of claims, and managing the claims objection process. The Debtor has identified and hired one such person who participated extensively in the claims resolution process for the Maxicare chapter 11 case, and the Debtor may identify and need to hire one or more additional persons with similar experience. The Debtor proposes to pay the Independent Contractors on an hourly basis, at rates of approximately $30 per hour.

II.

APPLICABLE AUTHORITY

Section 363(b) of the Bankruptcy Code provides that a debtor in possession, after notice and a hearing, "may use, sell, or lease, other than in the ordinary course of business, property of the estate". 11 U.S.C. § 363(b). A proposed use of property pursuant to Bankruptcy Code section 363(b) is appropriate if "some articulated business judgment" exists for the transaction. See,

e.g., Walter v. Sunwest Bank (In re Walter), 83 B.R. 14, 19-20 (B.A.P. 9th Cir. Cal. 1988) (quoting Institutional Creditors of Continental Air Lines, Inc. v. Continental Air Lines, Inc. (In re Continental Air Lines, Inc.), 780 F.2d 1223, 1226 (5th Cir. 1986)); accord, e.g., In re Schipper, 933 F.2d 513, 515 (7th Cir. 1991); In re Ernst Home Ctr., Inc., 209 B.R. 974, 979 (Bankr. W.D. Wash. 1997) (holding that a decision to use property outside of normal course of business must be based on reasonable business judgment).

Sound business reasons justify entering into the Amendments and hiring the Independent Contractors. Meridian has been processing the Debtor's fee-for-service medical claims under the Meridian Agreement for more than two years, and has developed great familiarity with the Debtor's providers and the parties' contracts. Regardless of which restructuring path the Debtor ultimately follows, it will require claims processing services through the end of 2005 and into 2006. If the Debtor were unable to extend the term of the Meridian Agreement pursuant to Amendment 004, the Debtor would be forced either to terminate the Meridian Agreement effective as of December 31, 2005, or extend the Meridian Agreement for a full year without opportunity for early termination. Instead, Amendment 004 ensures that the Debtor will continue to benefit from Meridian's services, while at the same time providing the Debtor with flexibility to terminate the Meridian Agreement without cause under certain circumstances.

In addition, Meridian has been providing additional services to the Debtor generally related to the Debtor's bankruptcy case, and the Debtor anticipates that it will require Meridian to perform additional services in connection with the proof of claim

process. The Debtor and Meridian negotiated Amendment 005 in good faith in order to provide fair compensation to Meridian for these bankruptcy-related services. Similarly, the resolution of the hundreds to thousands of proofs of claim that will be filed in the Debtor's case will require the Debtor's personnel to expend additional time (above and beyond their regular duties) and develop familiarity with the bankruptcy claims process. The Debtor believes that hiring one or more Independent Contractors at reasonable hourly rates will allow it to most efficiently and expeditiously resolve the claims of its creditors, and, in particular, its fee-for-service providers. Hiring the Independent Contractors on an hourly basis will provide the Debtor with flexibility to manage the cost of the supplemental services that these individuals will provide. Accordingly, the Court should approve the Amendments and authorize the Debtor to hire the Independent Contractors as a sound exercise of the Debtor's business judgment.

III.

NO HEARING REQUIRED

The Debtor is filing the Motion pursuant to Local Bankruptcy Rule 9013-1(g)(1), which sets forth several types of motions or requests for relief that may be granted without a hearing, including motions "to use, sell or lease property under 11 U.S.C. § 363(b)(1), except for sale of all or substantially all of the debtor's assets". L.B.R. 9013(1)(g)(1)(A).

The Debtor is providing proper notice of the Motion by serving it on counsel for the Debtor's secured lenders, counsel for

Committee, the United States Trustee, and all other parties required pursuant to this Court's order limiting notice. The Notice attached to the Motion provides that parties in interest have fifteen (15) days to file a response requesting a hearing on the Motion. If no party requests a hearing within 15 days of the service of this Motion, the Debtor submits that the Court should grant the Motion and enter an order approving the Amendments and authorizing the Debtor to hire the Independent Contractors without a hearing.

IV.

CONCLUSION

WHEREFORE, for the reasons and based on the authorities set forth herein, the Debtor respectfully requests that the Court enter an order: (i) approving the Amendments; (ii) authorizing the Debtor to hire one or more Independent Contractors; and (iii) granting such other and further relief as the Court deems to be just and proper.

DATED: December 5, 2005

GARY E. KLAUSNER,
MICHAEL H. GOLDSTEIN and
NATHAN A. SCHULTZ, Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
Reorganization Counsel for
Debtor and Debtor in Possession

DECLARATION OF ALAN D. BLOOM

I, Alan D. Bloom, 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 Debtor's "Motion For Order Pursuant To Section 363(b) Of The Bankruptcy Code (I) Approving Amendments 004 And 005 To Health Plan Administration Agreement Between Debtor And Meridian Health Care Management, Inc.; And (II) Authorizing Debtor To Hire One Or More Independent Contractors To Assist With Bankruptcy Claims Processing" (the "Motion"). Capitalized terms used, but not defined, herein have the meaning ascribed to such terms in the Motion.

3. I am the Chief Administrative Officer of WATTSHealth Foundation, Inc. dba UHP Healthcare, the debtor and debtor in possession in this chapter 11 case (the "Debtor").

4. On May 31, 2005 (the "Petition Date"), the Debtor commenced this chapter 11 case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. As permitted by Bankruptcy Code sections 1107(a) and 1108, the Debtor is continuing to operate its business as a debtor in possession.

A. The Debtor's Pre-Petition Relationship With Meridian.

5. A significant portion of the Debtor's pre-petition and post-petition liabilities consist of fee-for-service medical claims asserted by the various physicians, hospitals and other entities that provide healthcare services to the Debtor's members.

Rather than analyzing and processing these claims for payment internally, the Debtor historically has outsourced this service to a third party processor. Prior to the Petition Date, the Debtor entered into a "Health Plan Administration Agreement" (as subsequently amended pursuant to Amendments 001 through 003, the "Meridian Agreement")[1] with Meridian Health Care Management, Inc. ("Meridian"). Pursuant to the Meridian Agreement, Meridian performs the ordinary course review and reconciliation of the Debtor's fee-for-service medical claims, which process is referred to as "adjudication".

B. Post-Petition Events Requiring Amendment of the Meridian Agreement

Since the commencement of the Debtor's chapter 11 case, Meridian has been adjudicating and processing payment for the Debtor's post-petition medical claims, and also has completed the adjudication process (but not processed payment) for nearly all of the Debtor's pre-petition medical claims. The Debtor anticipates that, regardless of its ultimate restructuring path, it will continue to require Meridian to provide claims adjudication and other services through the end of 2005 and into 2006.

1. Amendment 004

Prior to the execution of Amendment 004, the term of the Meridian Agreement ran through December 31, 2005, with an automatic

[1] The general description of the Meridian Agreement and the amendments thereto contained in this Declaration is summary in nature. This summary is not meant to be an exhaustive recitation of all of the terms and conditions of the Meridian Agreement and its amendments, and is qualified in its entirety by the Meridian Agreement and its amendments, the terms and conditions of which shall control in the event of any conflict between this summary and the Meridian Agreement, as amended.

year to year renewal unless the Debtor gave notice of termination at least 90 days prior to the end of the current term (i.e. on or before October 3, 2005). The Meridian Agreement did not allow early termination without cause by either party.

The Debtor negotiated Amendment 004[2] with Meridian in order to ensure that Meridian's claims processing services would continue to be available to the Debtor in (and potentially beyond) 2006, and to obtain greater flexibility for the Debtor to terminate the Meridian Agreement without cause. Amendment 004 extends the term of the Meridian Agreement as follows:

> TERM: This Agreement shall commence on June 1, 2002 and shall continue until December 31, 2006. Thereafter, the Agreement will auto-renew for successive 1 year terms (January to December) unless either party gives notice of termination with or without cause no less than 90 days prior to the end of the then term.

In addition, Amendment 004 allows the Debtor to terminate the Meridian Agreement early and without cause pursuant to the following provision:

> UHP may terminate this agreement with no less than 180 days notice (a) in the event of a cessation of UHP's business, (b) in the event of an acquisition of UHP's assets representing 25% or more of UHP's then enrollment, or (c) in the event of a change in control, defined as a change in 60% or more of the then current members of the Board of Directors. In any instance of (a), (b), or (c) herein, such notice may not be given prior to January 1, 2006.

---

[2] The Debtor provided a copy of Amendments 004 and 005 to the Meridian Agreement (the "Amendments") to the Official Committee of Unsecured Creditors (the "Committee") in accordance with the confidentiality agreement between the Debtor and the Committee.

2. Amendment 005

Aside from the ordinary course claims adjudication process, the Debtor's bankruptcy filing has increased the volume and number of services that the Debtor needs Meridian to perform. Meridian prepares additional reporting related to the Debtor's chapter 11 case, which reports are shared with the Committee on a regular basis. Meridian made alterations to its information systems to support the segregation and processing of pre-petition medical claims. In addition, Meridian generated much of the data and certain forms used in the Debtor's customized proof of claim process for fee-for-service providers. The Debtor anticipates that it will require Meridian to provide additional non-ordinary course reporting and analytical services in connection with the analysis and resolution of the proofs of claim to be filed by fee-for-service providers in the Debtor's case. These supplemental services have required (and will continue to require) Meridian to devote additional time and resources above and beyond that which is required in the ordinary course claims adjudication process. Accordingly, the Debtor negotiated Amendment 005 with Meridian in order to provide fair compensation to Meridian for these additional bankruptcy-related services.

Amendment 005 provides for two supplemental pricing components related to the additional bankruptcy-related services that the Debtor anticipates Meridian will provide, both of which will be payable through June 30, 2006. The first is a flat monthly fee of $11,325, which is payable, effective as of October 1, 2005, in addition to any other fees incurred under the Meridian Agreement

or Amendment 005. The Debtor will pay this monthly fee to Meridian in return for the additional executive and management/technical level support that Meridian will provide to the Debtor related to the Debtor's bankruptcy case, including advisory services, data analytics and attendance at meetings and similar activities.

The second pricing component of Amendment 005 is a "Monthly Overage Fee" of $6.55 per claim. The Monthly Overage Fee is only payable to the extent that Meridian receives more than 13,000 claims for any of the calendar months from January, 2005 through and including May, 2005, and then only for any such claims received in excess of 13,000. The Debtor's typical claims experience suggests that the Debtor should receive less than 13,000 claims for each of these months. Therefore, the Monthly Overage Fee was designed to apply only in the event that the Debtor requires Meridian to process a higher than normal claim volume for these five pre-petition months only.

C. The Independent Contractors.

The Debtor has determined that the processing of proofs of claim will proceed most efficiently and expeditiously if the Debtor is able to hire, on an independent contractor basis, one or more persons who are familiar with the healthcare bankruptcy claims resolution process (each, an "Independent Contactor"). While the Debtor's personnel (and Meridian) are very familiar with the medical claim adjudication process outside of bankruptcy, the Independent Contractors will provide valuable bankruptcy expertise by assisting the Debtor's personnel in analyzing proofs of claim, negotiating consensual resolutions of claims, and managing the claims objection process. The Debtor has identified and hired one

such person who participated extensively in the claims resolution process for the Maxicare chapter 11 case, and the Debtor may identify and need to hire one or more additional persons with similar experience. The Debtor proposes to pay the Independent Contractors on an hourly basis, at rates of approximately $30 per hour.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief. Executed on November 30, 2005, at Inglewood, California.

Alan D. Bloom

DECLARATION OF SERVICE

I am over the age of 18 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, CA 90067-6013.

On December 5, 2005, I served the following pleading:

NOTICE OF MOTION AND MOTION FOR ORDER PURSUANT TO SECTION 363(b) OF THE BANKRUPTCY CODE (I) APPROVING AMENDMENTS 004 AND 005 TO HEALTH PLAN ADMINISTRATION AGREEMENT BETWEEN DEBTOR AND MERIDIAN HEALTH CARE MANAGEMENT, INC.; AND (II) AUTHORIZING DEBTOR TO HIRE ONE OR MORE INDEPENDENT CONTRACTORS TO ASSIST WITH BANKRUPTCY CLAIMS PROCESSING; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF ALAN D. BLOOM IN SUPPORT THEREOF

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:

PLEASE SEE ATTACHED SERVICE LIST

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

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

Cheryl R Woods

Cheryl R. Woods, Declarant

WATTSHealth Foundation, Inc.
SERVICE LIST
Doc. No. 375706
10/3/05

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

Internal Revenue Service
Insolvency I Stop 5022
300 N. 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 Creditors Comm./Sp. Notice
Catholic Healthcare West on behalf of St. Bernardine Medical Center, et al.
Attn: Suzan Vida Konell, Esq.
251 South Lake Avenue, 7th Floor
Pasadena, CA 91101

Member of Creditors Committee
William D. Hobson, Jr., Pres & 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/O.C./L.B. Mem.
Paul R. Glassman/Adam M. Starr
Greenberg Traurig, LLP
2450 Colorado Avenue, Suite 400E
Santa Monica, CA 90404

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

Russell Clementson, Esq.
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 Group
1330 East Franklin Avenue
El Segundo, CA 90245

Member of Creditors Committee
Long Beach Memorial Medical Ctr.
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
Victoria S. Kaufman/Gregory M. Shamo
Paul, Hastings, Janofsky & Walker
515 South Flower Street, 25th Floor
Los Angeles, CA 90071

Request Sp. Nte/Atys-Cedars Sinai Med Ctr/Merrill Lynch Bk USA
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 Blvd. 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 So. 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 & Randye Soref
Buchalter, Nemer, A Professional Corporation
1000 Wilshire Boulevard, 15th Floor
Los Angeles, CA 90017

Request for Special Notice
Augustavia J. Haydel, Gen. 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, Glusker, Esq.
1900 Avenue of the Stars, Suite 2100
Los Angeles, CA 90067-4590

Request for Special Notice
Attys for American Express Travel Related Svs
Barbara Hamilton, Esq. Michelle L. Janek, Esq.
Rhonda E. Rosenblum, Esq.
Becket and Lee LLP
PO Box 3001 Dept. AC
Malvern, PA 19355-0701

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

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

Request for Special Notice
SunGard Availability Services LP
Attn: Maureen A. McGreevey, Esq.
680 E. Swedesford Road
Wayne, PA 19087

Request for Special Notice
The Huntington Beach VHS LP dba Huntington Beach Hospital
c/o Greg Ozhekim
Nemecek & Cole
15260 Ventura Blvd., Suite 920
Sherman Oaks, CA 91403

Request for Special Notice
Attys for AltaMed Health Services Corp.
Waterman Convalescent Hospital
Arthur Khachatourians
Tyler & Wilson LLP
5455 Wilshire Blvd., Suite 1925
Los Angeles, CA 90036

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 Cal. Dept. of Health Services
MS 0010
PO Box 997413
Sacramento, CA 95899-7413

Request for Special Notice
VHS of Orange County, Inc. dba La Palma Intercommunity Hospital
c/o Greg Ozhekim
Nemecek & Cole
15260 Ventura Blvd., Suite 920
Sherman Oaks, CA 91403

Request for Special Notice
Attys for AltaMed Health Services
Wesley H. Avery, Esq./Yaron Shaham, Esq.
Ezra, Brutzkus & Gubner LLP
16830 Ventura Blvd., Suite 310
Encino, CA 91436-1724

Request for Special Notice
Attorneys for Medpoint Management
Brad D. Krasnoff, Esq.
Scott Lee, Esq.
Lewis Brisbois Bisgaard & Smith LLP
221 North Figueroa Street, Suite 1200
Los Angeles, CA 90012-2601

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

Request for Special Notice
Atys AHMC Health Ent/Garfield Med Ctr
Maan-Huei Hung, Esq.
1055 Wilshire Blvd., Suite 1708
Los Angeles, CA 90017-2449

Request for Special Notice
West Anaheim VHS LP dba West Anaheim Medical Center
c/o Greg Ozhekim
Nemecek & Cole
15260 Ventura Blvd., Suite 920
Sherman Oaks, CA 91403

Cástulo de la Roch
AltaMed Health Services Corp.
500 Citadel Drive, Suite 490
Los Angeles, CA 90040