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c. Other Reserves.

The Administrative Expense Claim Reserve, the Disputed Claim Reserves, and the Post Confirmation Expense Reserve will be held in trust for the benefit of the respective holders of such Disputed Administrative Expense Claims, Disputed Claims, and the Reorganized Debtor, as their respective interests may appear, pending determination of their respective entitlement thereto or as provided for in the Plan; provided, however, any funds therein remaining after payment of (or reserve for) the Distributions to be made under the Plan for which such reserves were established will be Plan Assets. No reserve will be required for any Disputed Claim or Disputed Administrative Expenses to the extent of any effective insurance coverage therefore.

The Administrative Expense Claim Reserve and the Disputed Claim Reserve will be distributed in accordance with the Plan by the Disbursing Agent to the holder of any Disputed Administrative Expense Claim or Disputed Claim at such time and to the extent that such Disputed Administrative Expense Claim or Disputed Claim becomes an Allowed Administrative Expense Claim or an Allowed Claim pursuant to a Final Order. To the extent that such a Disputed Administrative Expense Claim or Disputed Claim ultimately is disallowed or allowed in an amount less than the amount of the Disputed Administrative Expense Claim or Disputed Claim, any funds remaining in the Administrative Expense Claim Reserve or Disputed Claim Reserves after payment or (or reserve for) the Distributions to be under the Plan for which such reserves were established will be Plan Assets.

d. Reserve Estimation.

Plan Assets will be transferred to the Disputed Claims Reserves based on the assumption that all such Disputed Claims will be allowed in the full amount stated therein, unless the Bankruptcy Court estimates in accordance with applicable law that a smaller reserve is sufficient upon a Reserve Estimation Request. The holder of any Disputed Claim that is the subject of a Reserve Estimation Request will be entitled to (a) at least thirty (30) days' notice of such request, and (b) the opportunity to object and be heard in the Bankruptcy Court with respect thereto. Any estimation of a Disputed Claim for voting purposes will not be binding for purposes of the reserve amount required for such Disputed Claim. If the Court so orders pursuant to a Reserve Estimation

Request, the holder of a Disputed Claim shall have recourse only to the reserve established by the Bankruptcy Court for such Claimant's Disputed Claim, and not to the Reorganized Debtor, the Estate, or any person receiving property or Distributions under the Plan, even if the Allowed Claim of such Claimant exceeds the maximum estimation of such Claim. **THUS, THE BANKRUPTCY COURT'S ESTIMATION OF A DISPUTED CLAIM PURSUANT TO A RESERVE ESTIMATION REQUEST WILL LIMIT THE DISTRIBUTION TO BE MADE THEREON, REGARDLESS OF THE AMOUNT FINALLY ALLOWED ON ACCOUNT OF SUCH CLAIM.**

4. Resolution of Claims.

As of the Effective Date, the Reorganized Debtor will have sole authority for investigating, administering, monitoring, implementing, litigating and settling all Disputed or unresolved Claims and Administrative Expense Claims. From and after the Effective Date, the Reorganized Debtor will have the sole and exclusive right to make and file, and to prosecute and settle, objections to Claims and to Administrative Expense Claims; provided, however, that: (a) the Plan Committee will have the right to object to any Disputed Claim for which (i) the Plan Committee has requested the Reorganized Debtor to file an objection, and (ii) the Reorganized Debtor has not filed an objection as of the applicable claim objection deadline; and (b) nothing in the Plan will preclude the Plan Committee from seeking, nor the Reorganized Debtor from opposing, an order of the Bankruptcy Court granting to the Plan Committee the authority to prosecute counterclaims on behalf of the Estate. Any Claim objection or notice of Claim settlement will be served upon the counsel for the Plan Committee and the holder of the Claim or Administrative Expense Claim to which the objection is made or with which the settlement is reached.

Claim Objection Deadline: The deadline for the Reorganized Debtor to object to Priority Tax Claims and Claims in Classes 1, 3, 6 and 8 will be the latest of (a) 120 days after the Effective Date, (b) such other date(s) as the Court may order subsequent to the Effective Date, and (c) such other date(s) as the Reorganized Debtor and the holder of any such Claim may agree.

5. Post-Confirmation Expense Budgets.

The Debtor will File the Initial Post-Confirmation Expense Budget with the Plan Supplement. The Initial Post-Confirmation Expense Budget will cover the first 18 months following the Effective Date. Not less than 60 days prior to the expiration of Current Budget Expiration Date, the Reorganized Debtor will serve on the Plan Committee and its counsel, if any, a Post-Confirmation Budget covering a period extending not less than six months from the Current Budget Expiration Date. The Debtor or the Reorganized Debtor, as applicable, may amend any Post-Confirmation Expense Budget by serving an amended budget on the Committee or the Plan Committee, as applicable.

6. Distributions.

a. Effective Date Distributions

On or as soon as practicable after the Effective Date, the Disbursing Agent shall cause to be made in accordance with the Plan (i) the payments to holders of Allowed Claims described in Section 507(a)(2), 507(a)(3) and 507(a)(8) and holders of Allowed Claims in Classes 1, 2, 3, 4, 5, 6 and 8, and (ii) the Initial Class 7 Distribution to be made to holders of Allowed Claims in Class 7.

b. Post-Effective Date Distributions.

The Reorganized Debtor will make interim Pro Rata Distributions to holders of Allowed Claims in Class 7 (and into the Disputed Claims Reserve account for Claims in Class 7 that are Disputed Claims) whenever Three Million Dollars ($3,000,000) or more of Available Plan Assets is available for Distribution to holders of Allowed Class 7 General Unsecured Claims, or such other amount as agreed to by the Reorganized Debtor and the Plan Committee; provided, however, that the Reorganized Debtor may cause there to be made Pro Rata Distribution on Allowed Class 7 General Unsecured Claims even if Net Proceeds available for such Distributions are less than Three Million Dollars ($3,000,000) if required to make the final payment on account of such Allowed Claims that may be required to comply with the treatment of Class 7 under the Plan.

Periodically, until the Disputed Claims Reserve account for holders of Disputed Class 7 General Unsecured Claims has been fully disbursed or released, the Reorganized

Debtor will recalculate the Distributions due the holders of Allowed Class 7 General Unsecured Claims, taking into account the resolution of such Disputed Claims. Surplus property in the Disputed Claims Reserve account for holders of Disputed Class 7 General Unsecured Claims as is not necessary to pay either holders of Allowed Claims who have failed to claim their Distributions or holders of Disputed Claims whose Claims have been disallowed by a Final Order or withdrawn, in whole or in part, will first be made available to fund (i) Pro Rata Distributions to the holders of Allowed Claims in Class 7 in accordance with the Plan, and (ii) reserves for Pro Rata Distributions to the holders of the remaining Disputed Claims in Class 7 based on the assumption that said Disputed Claims will be allowed in full, unless the Bankruptcy Court shall estimate that a smaller reserve is sufficient.

c. Disputed Claims.

If a Disputed Class 7 General Unsecured Claim becomes an Allowed Claim in whole or in part, then within twenty-one (21) days following the allowance of such Claim by Final Order (or within such extended period, as may be provided by the Plan) or by agreement as provided in this Plan, the Reorganized Debtor will distribute to the holder of such Allowed Claim, out of the Disputed Claims Reserve account for such Class, an amount equal to (i) the Pro Rata Distribution that Claimant would have received on or about the Effective Date if such Disputed Class 7 General Unsecured Claim had been an Allowed Claim as of the Effective Date, plus any (ii) Pro Rata Distribution(s) that Claimant would have received subsequent to the Effective Date if such Disputed Class 7 General Unsecured Claim had been an Allowed Claim as of the Effective Date.

d. Distributions to Claims Covered by Insurance.

Any Allowed Claim which has available as a source of payment either an insurance policy issued to the Debtor or the Reorganized Debtor or in which the Debtor, the Reorganized Debtor or the Estate has any rights as named insured or beneficiary, including but not limited to general liability, workers compensation, and automobile insurance, will receive Distributions pursuant to Section 6.6 of the Plan.

e. Distribution of Post-Petition Interest to Holders Of Allowed Claims in Class 7.

NO PAYMENT OF POST-PETITION INTEREST WILL BE MADE TO ANY HOLDER OF AN ALLOWED CLASS 7 GENERAL UNSECURED CLAIM UNLESS AND UNTIL THE PRINCIPAL AMOUNT OF ALL ALLOWED CLASS 7 CLAIMS HAS EITHER BEEN (A) PAID, OR (B) RESERVED FOR.

f. No Distributions To Non-Filing Parties.

Pursuant to Bankruptcy Rule 3003(c)(2), (a) no distribution, under the Plan or otherwise, shall be made to any Non-Filing Party, and (b) any and all Claims of all Non-Filing Parties shall be disallowed.

g. Setoffs

The Reorganized Debtor may, but will not be required to, set off against any Claim, and the payments to be made pursuant to the Plan in respect of such Claim, any Right of Action whatsoever the Debtor, the Reorganized Debtor or Estate may have against the holder of such Claim, including, without limitation, any Estate Causes of Action, but neither the failure to do so nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtor, the Reorganized Debtor or the Estate of any such claim the Debtor, the Reorganized Debtor or the Estate may have against such holder.

h. Disbursing Agent.

All Cash distributions on account of Allowed Claims will be made by the Disbursing Agent from the Plan Assets (including, without limitation, the Plan Reserves or the Effective Date Reserve as specified in Sections 5.1 and 6.3.1 of the Plan). Any payment of Cash made by the Disbursing Agent pursuant to the Plan may be made either by check drawn on a domestic bank or by wire transfer from a domestic bank, at the option of the Disbursing Agent. Any distribution under the Plan of property other than Cash shall be made by the Disbursing Agent in accordance with the terms of the Plan.

The Reorganized Debtor may serve as the Disbursing Agent and the Disbursing Agent may serve without a bond. Except as otherwise set forth in the Plan, the

Disbursing Agent will make all distributions of Cash and property pursuant to the Plan on the Effective Date or as soon thereafter as is practicable; provided, however, (i) no distributions will be made on a Claim unless it is an Allowed Claim or in the case of a Disputed Claim an order of the Bankruptcy Court has been entered estimating the Claim for purposes of distribution; and (ii) distributions on Allowed Claims may be delayed as a result of, or the allowance or estimation of, Disputed Claims, or the expiration of time for filing a proof of Claim.

i. Delivery Of Distributions.

For purposes of all notices and Distributions under this Plan, the Reorganized Debtor and the Disbursing Agent shall be entitled to rely on the name and address of the holder of each Claim as specified by, and Distributions to holders of Claims shall be made by regular U.S. first class mail to, the following addresses: (1) the address set forth on the respective Filed proof of Claim of such holder; (2) the address set forth in any written notice of address change delivered by the holder to the Reorganized Debtor or the Disbursing Agent after the date of any related Filed proof of Claim, or (3) the address reflected on the Schedules if no proof of Claim is Filed and the Disbursing Agent or Reorganized Debtor has not received a written notice of a change of address. The Reorganized Debtor and the Disbursing Agent shall be under no duty to attempt to locate holders of Allowed Claims who are entitled to unclaimed Distributions. The date of delivery shall be the date an item is provided to the United States Postal Service for delivery by first class mail.

j. Record Date for Distributions.

On the Confirmation Date, there shall be no further changes in the holders of record of Claims. The Disbursing Agent shall not recognize any transfer of Claims occurring after the Confirmation Date, but shall instead be entitled to recognize and deal for all purposes with only those holders of record stated on the applicable transfer ledgers on the docket of Claims for the Chapter 11 Case as of the Confirmation Date.

k. Other Provisions re: Distributions.

Except as otherwise provided in the Plan, any Distribution under the Plan which is unclaimed after one year following the final Distribution will be deemed property of the Reorganized Debtor. A Distribution shall be delivered as provided for in Section 6.5.12 of the Plan.

No Cash payment of less than ten dollars ($10.00) shall be made by the Disbursing Agent to any holder of a Claim.

Unless as otherwise specifically provided for in the Plan, the Distributions provided for holders of Allowed Claims under the Plan shall be allocated in full satisfaction and substitution of the principal amount of such Claims, exclusive of accrued interest from and after the Petition Date.

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

7. Plan Assets.

a. Generally.

The Plan Assets will remain property of the Estate following the Effective Date. On and after the Effective Date, the Reorganized Debtor may operate its business, and may use, acquire and dispose of property and compromise or settle any Claims, without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by the Plan or the Confirmation Order. The Reorganized Debtor may use (and compensate) its own employees or employ or contract with (and pay) other Persons to assist in or perform the management of the Plan Assets, the implementation of the Plan and the Distributions under the Plan, without further order or approval of the Bankruptcy Court. Decisions made and actions taken by the Reorganized Debtor and the Reorganized Debtor Representatives shall be conclusive and binding upon the Estate, the Debtor, the Reorganized Debtor, and the holders of Claims.

Plan Assets that consist of Cash, including, without limitation, Cash held in the Plan Reserves and the Effective Date Reserve, will be invested by the Disbursing Agent in interest-bearing certificates of deposit and interest-bearing accounts to be established in one or more depository banks which have qualified to hold deposits of bankruptcy estates. All interest earned on such Cash will be deemed Plan Assets.

To the extent that the Plan Assets include property that is not Cash, the Reorganized Debtor will have the authority under the Plan, in its sole and absolute discretion, without further order of the Bankruptcy Court, or any notice to any Person, to liquidate such Property at such time and on such terms to the extent reasonably practicable; provided, however, that the Reorganized Debtor will be required provide written notice to the Plan Committee of the proposed disposition of any non-Cash Plan Asset with a value in excess of $100,000, and the Committee will have the opportunity to be heard in the Bankruptcy Court regarding any such proposed disposition on not less than fifteen (15) days' notice to the Reorganized Debtor and its counsel. Notwithstanding the foregoing, the sale of the Property has previously been approved by the Bankruptcy Court, and as such (i) the Property (and any proceeds thereof) will, as applicable, be Plan Assets, and (ii) the sale of the Property will not require any further Bankruptcy Court approval. The sale of the Property expressly is made in contemplation and furtherance of the Plan, the sale of the Property being a necessary step in liquidating the Plan Assets to be distributed to Creditors or used by the Reorganized Debtors as Remaining Plan Assets.

b. Exculpation.

To the maximum extent permitted by law, the Reorganized Debtor and its employees, officers, directors, agents, members, representatives, or professionals employed or retained by the Reorganized Debtor (the "Reorganized Debtor's Representatives") shall not have or incur liability to any Person for an act taken or omission made in good faith in connection with or related to the administration of the Plan Assets, the implementation of the Plan and the Distributions made thereunder. The Reorganized Debtor and the Reorganized Debtor Representatives shall in all respects be entitled to reasonably rely on the advice of counsel with respect to its duties and responsibilities under the Plan. Entry of the Confirmation Order constitutes a judicial determination that the exculpation provision contained in this Section is necessary to, *inter alia*, facilitate Confirmation and feasibility and to minimize potential claims arising after the Effective Date for indemnity, reimbursement or contribution from the Reorganized Debtor or the Plan Assets. The Confirmation Order's

approval of the Plan also constitutes a res judicata determination of the matters included in the exculpation provisions of the Plan.

8. Post-Confirmation Board of Directors and Management.

From and after the Effective Date, the members of the Board of Directors of the Debtor as of the Effective Date will serve as the Reorganized Debtor's Board of Directors, subject to the terms and conditions of the Articles of Incorporation, the By-Laws and applicable law. The remaining officers of the Debtor as of the Effective Date will be the officers of the Reorganized Debtor and will continue to be employed, in accordance with the terms and conditions of their respective employment agreements (if any) and other terms previously approved by the Bankruptcy Court, subject to amendment or modification by agreement between the Reorganized Debtor and the respective executives.

9. Issuance And Execution Of Plan Related Documents; Corporate Action.

On the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved in all respects (subject to the provisions of the Plan), including, without limitation, the following: (a) the adoption and the filing with the appropriate Secretary of State of the Articles of Incorporation and By-Laws, as amended if so required; and (b) the execution and the delivery of, and the performance under, all documents and agreements contemplated by or relating to the Plan. The Reorganized Debtor will be authorized to take all corporate actions, and make all filings, as necessary and appropriate to effectuate the Plan. All matters provided for under the Plan involving the corporate structure of the Reorganized Debtor and any corporate action required by the Reorganized Debtor in connection with the Plan will be deemed to have occurred and shall be in effect pursuant to the Bankruptcy Code, without any requirement of further action by the directors of the Reorganized Debtor. On the Effective Date, the appropriate officers of the Reorganized Debtor are authorized and directed to execute and to deliver the agreements, documents and instruments contemplated by the Plan in the name and on behalf of the Reorganized Debtor.

10. Transfer Taxes.

Pursuant to section 1146(c) of the Bankruptcy Code and Section 5.1 of the Plan, the sale by the Debtor or the Reorganized Debtor of Plan Assets, including the Property, shall not be taxable under any law imposing a stamp tax, recording tax, transfer tax or similar tax.

11. Post-Confirmation Employment Of Professionals.

The Reorganized Debtor will be authorized to employ, without Bankruptcy Court approval, such persons, including Professional Persons, as it may deem necessary to enable them to perform the functions hereunder, and the costs of such employment and other expenditures arising from and after the Effective Date will be paid by the Reorganized Debtor from Plan Assets without approval of the Bankruptcy Court.

12. Retention of Jurisdiction.

The Plan provides for the retention by the Bankruptcy Court of jurisdiction over the Chapter 11 Case and certain related matters as specified in Section 10.1 of the Plan.

13. Prosecution Of Estate Causes Of Action.

Pursuant to the Confirmation Order, on the Effective Date, all Estate Causes of Action will be Plan Assets and the Reorganized Debtor shall have the full power and authority to prosecute, compromise or otherwise resolve any and all such Estate Causes of Action, with all recoveries derived therefrom to be Plan Assets. Any and all fees, costs and expenses incurred in respect of the prosecution of such Estate Causes of Action will be payable and paid from the Plan Assets.

14. Amendment or Revocation of the Plan.

The Debtor may seek to amend or modify the Plan at any time prior to its Confirmation in the manner provided by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as the Bankruptcy Court may otherwise order, and the Debtor reserves the right to amend the terms of the Plan or waive any conditions to its Confirmation, effectiveness or consummation if the Debtor determines that such amendments or waivers are necessary or desirable to confirm, effectuate or consummate the Plan.

After confirmation of the Plan, the Debtor may apply to the Bankruptcy Court, pursuant to section 1127 of the Bankruptcy Code, to modify the Plan. After confirmation of the Plan, the Debtor may apply to remedy defects or omissions in the Plan or to reconcile inconsistencies in the Plan.

15. Closing of the Chapter 11 Case.

When all Disputed Claims become Allowed Claims or have been disallowed and all Distributions required under the Plan have been made in accordance with the terms of this Plan, the Reorganized Debtor will seek from the Bankruptcy Court (with notice to those Persons on the Post-Effective Date Limited Notice List) the entry of a final decree closing the Chapter 11 Case in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Local Bankruptcy Rules ("Final Decree"); provided, however, that the Reorganized Debtor may seek a Final Decree (with notice to those Persons on the Post-Effective Date Limited Notice List) prior to such time.

D. Summary Of Certain Other Provisions Of The Plan.

1. Plan Committee.

Prior to the Effective Date, the Committee will select the members of the Plan Committee, subject to the provisions of Section 6.12 of the Plan. On or before the Effective Date, the Committee will File and serve on the Debtor, the Debtor's counsel, and the Office of the United States Trustee, a Plan Committee Notice. As of the Effective Date, the Plan Committee will be deemed to be appointed. The Plan Committee will continue after the Effective Date and shall exercise the rights and powers set forth in Section 6.12 of the Plan. The Committee shall terminate and cease its existence as of the Effective Date.

The Plan Committee will consist of no less than three (3) and no more than (5) members, to be selected by the Committee in its sole discretion; provided, however, that (a) any creditor whose pre-petition claim has been paid in full prior to the Confirmation Date will not be eligible to serve on the Plan Committee, (b) the Debtor and/or the Reorganized Debtor, as applicable, will have the right to object at any time on reasonable grounds to the composition of the Plan Committee by serving a Plan Committee Objection on the Plan Committee and its counsel.

Section 6.12 of the Plan contains provisions and procedures regarding (a) the replacement of members of the Plan Committee, (b) the removal of members of the Plan Committee, (c) the rights, powers and duties of the Plan Committee, (d) liability of the Plan Committee and its members, and (e) the employment and compensation of Plan Committee professionals.

The Plan Committee will be dissolved and its members discharged upon the payment of (or reserve for) the maximum Distribution to holders of Allowed Class 7 General Unsecured Claims provided for in the Plan.

2. Executory Contracts And Unexpired Leases.

Subject to the approval of the Bankruptcy Court, the Bankruptcy Code empowers the debtor in possession to assume, assume and assign, or reject executory contracts and unexpired leases. As a general matter, an "executory contract" is a contract under which material performance (other than the payment of money) is due by each party. If an executory contract or unexpired lease is rejected by the debtor in possession, the other party to the agreement may file a claim for any damages incurred by reason of the rejection. In the case of rejection of employment agreements and leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code. If an executory contract or unexpired lease is assumed, the debtor generally has the obligation to perform its obligations thereunder in accordance with the terms of such agreement. If an executory contract is assumed and assigned, the assignee generally has the obligation to perform the obligations of the debtor thereunder in accordance with the terms of such agreement.

a. Assumption or Rejection.

Article VII of the Plan provides that entry of the Confirmation Order by the Bankruptcy Court will constitute approval, pursuant to section 365(a) of the Bankruptcy Code, of the Debtor's rejection or assumption of its executory contracts and unexpired leases as provided in the Plan. Executory contracts and unexpired leases to be assumed and/or assumed and assigned pursuant to the Plan and not subject to a prior or pending motion will be listed in Plan Exhibit 7.1. All executory contracts and unexpired leases which have not previously been rejected, which are not specifically assumed, either pursuant to the Plan or by separate order in the Chapter 11 Case, or which are not the subject of a motion to assume pending on the Effective Date are deemed rejected

pursuant to the Plan as of the Effective Date (or as of such earlier date as announced by the Debtor at the Confirmation Hearing). Plan Exhibit 7.5 contains a nonexclusive list of executory contracts and unexpired leases to be rejected under the Plan.

b. Cure Payments.

Plan Exhibit 7.1 specifies the Cure Payment amounts, if any, which the Debtor believes are required to be paid on the Effective Date in accordance with sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption of the executory contracts and unexpired leases listed therein. The procedures for parties to executory contracts to contest the Cure Payment amount(s) set forth in Exhibit 7.1 are set forth in Article VII of the Plan. Failure to comply with such procedures will result in the determination that the tender of the Cure Payment, as specified in Plan Exhibit 7.1, on the Effective Date, will provide cure and compensation for any and all defaults and unpaid obligations under such assumed executory contract or unexpired lease, and a determination that the proposed assumption is appropriate. Under the Plan, the Debtor reserves the right to respond to any objection filed by any party to an executory contract or unexpired lease and/or to reject any executory contract or unexpired lease or assume such contract or unexpired lease by complying with section 365(b) of the Bankruptcy Code, if the other party to any executory contract or unexpired lease establishes that the Cure Payment is greater than the amount specified in Plan Exhibit 7.1.

c. Rejection Claims.

All Allowed Claims arising from the rejection of executory contracts or unexpired leases, whether under the Plan or by separate proceeding, will be treated as Class 7 Claims under the Plan. The procedures for filing a claim for rejection are set forth in Article VII of the Plan. Pursuant to the Plan, failure to comply with such procedures will result in any such rejection claim being forever barred from assertion against the Debtor, the Estate, the Reorganized Debtor, and its property.

3. Indemnification Obligations.

Except as otherwise specifically limited in the Plan, any obligations or rights of the Debtor to defend, indemnify, reimburse, or limit the liability of the Covered Persons pursuant to the

Debtor's certificates of incorporation, by-laws, policy of providing employee indemnification, applicable state law, or specific agreement in respect of any claims, demands, suits, causes of action, or proceedings against such Covered Persons based upon any act or omission related to such Covered Persons' service with, for, or on behalf of the Debtor prior to the Effective Date, will survive confirmation of the Plan and remain unaffected thereby, shall not be discharged, irrespective of whether such defense, indemnification, reimbursement, or limitation of liability is owed in connection with an occurrence before or after the Petition Date, and shall be a Post Confirmation Expense.

4. Post Confirmation Notice.

As of the Effective Date there will be a Post-Effective Date Limited Notice List. Persons on such Post-Effective Date Limited Notice List will be given certain notices and in some cases an opportunity to object to certain matters under the Plan (as described herein). Any Person desiring to be included in the Post-Effective Date Limited Notice List must (a) File a request to be included on the Post-Effective Date Limited Notice List and include thereon its name, contact person, address, telephone number and facsimile number, within thirty (30) days after the Effective Date, and (b) concurrently serve a copy of its request to be included on the Post-Effective Date Limited Notice List on the Reorganized Debtor and the Committee. On or before sixty (60) days after the Effective Date, the Reorganized Debtor shall compile a list of all Persons on the Post-Effective Date Limited Notice List and File such list with the Bankruptcy Court, and serve copies of such list on the Committee and the U.S. Trustee. The U.S. Trustee, members of the Plan Committee, counsel to the Plan Committee and counsel to the Reorganized Debtor shall be automatically included on the Post-Effective Date Limited List and need not File a request to be included thereon.

5. Contingency Fund.

Prior to the Petition Date, the Debtor entered into contracts with certain physicians' groups (the "**Physicians' Groups**") which permitted the Debtor to deduct up to three percent (3%) of their monthly capitation payments to be used or applied as provided for in the contracts. Among the personal property of the Debtor, the Schedules list Merrill Lynch Account No. 207-04A27, containing cash or cash equivalents in the amount of $6,106,286.51 as of the Petition Date (the

"**Contingency Fund Account**"). The Debtor and the Committee previously entered in the Contingency Fund Stipulation, which was approved by order of the Bankruptcy Court entered on October 20, 2005. The Contingency Fund Stipulation provides that the Debtor shall preserve and shall not withdraw or transfer the funds in the Contingency Fund Account without first giving at least thirty (30) days written notice to the Committee and to the affected Physicians' Group(s) of any such intended withdrawal or transfer. The Contingency Fund Stipulation further provides that is without prejudice to any of the parties' positions with respect to the subject matter thereof, and nothing therein shall be construed as or deemed to be an admission of any kind by any party thereto.

Pursuant to the Plan, the Contingency Fund Stipulation will remain in full force and effect until the earlier of (a) the payment of (or reserve for) the maximum Distribution to holders of Allowed Class 7 General Unsecured Claims provided for in the Plan, and (b) the entry of an order of the Bankruptcy Court providing modifying the Contingency Fund Stipulation; provided, however, that from and after the Effective Date, the reference to the Committee in paragraph 1 of the Contingency Fund Stipulation shall be deemed to refer to the Plan Committee.

V.

CONFIRMATION REQUIREMENTS AND PROCEDURES.

HOLDERS OF IMPAIRED CLAIMS AND OTHER INTERESTED PARTIES ARE URGED TO READ THE PLAN (INCLUDING THE EXHIBITS THERETO) IN ITS ENTIRETY SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

PERSONS CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX.

A. Overview.

The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues. The Debtor **CANNOT** and **DOES NOT** represent that the discussion contained below is a complete summary of the law on this topic.

In order for the Plan to be confirmed by the Bankruptcy Court, all of the applicable requirements of section 1129 of the Bankruptcy Code must be met. These include, among others, the requirements that the Plan: (i) is accepted by all impaired classes of Claims or, if rejected or deemed rejected by an impaired class, "does not discriminate unfairly" and is "fair and equitable" as to each rejecting class; (ii) is feasible; and (iii) is in the "best interest" of holders of Claims in each class impaired under the Plan.

B. Who May Vote or Object.

1. Who May Object to Confirmation of the Plan.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Objections must be made in writing, specifying in detail the name and address of the person or entity objecting, the grounds for the objection, and the nature and amount of the Claim held by the objector, and otherwise complying with the requirements of the Bankruptcy Rules. Objections must be filed and served pursuant to, and in compliance with, the Disclosure Statement Order in the manner set forth therein, on or before the time and date designated in the Disclosure Statement Order as being the last date for serving and filing objections to confirmation of the Plan. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED IN ACCORDANCE WITH THE DISCLOSURE STATEMENT ORDER, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT. AS SET FORTH IN THE DISCLOSURE STATEMENT ORDER, THE BANKRUPTCY COURT MAY NOT CONSIDER ANY OBJECTIONS THAT ARE NOT TIMELY RAISED.**

2. Who May Vote to Accept or Reject the Plan.

a. Person Who May <u>Not</u> Vote to Accept or Reject the Plan.

The following Persons are **<u>NOT</u>** entitled to vote to accept or reject the Plan: (a) any Person who filed a Proof of Claim as to which the dollar amount of such Claim, respectively, was not specified in a fixed amount; (b) any Person holding either a Claim that is listed in the Schedules and/or as to which a Proof of Claim has been Filed, as to which (i) the Debtor or any other party in interest Files a timely objection or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules, and/or any order of the Bankruptcy Court, (ii) such objection or request for

estimation has not been withdrawn or determined by a Final Order, and (iii) no order of the Bankruptcy Court is entered after notice and a hearing temporarily allowing such Claim for voting purposes under Bankruptcy Rule 3018(a); (c) any Person who does not File a proof of claim or interest prior to the Effective Date, and for whom (i) the Schedules do not list a claim or interest, or (i) for whom the Schedules list a claim or interest as disputed, contingent, or unliquidated; (d) any Person holding a Claim that has been disallowed by order of the Bankruptcy Court; and (e) any Person who holds a Claim that is not classified under the Plan.

b. Persons Who May Vote to Accept or Reject the Plan.

Except for those Persons identified in the preceding Section, any Person who holds a Claim that is classified in an impaired Class has a right to vote to accept or reject the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

The Plan divides the Allowed Claims of Creditors into eight **(8)** Classes. The Plan does not have a Class of Interests because the Debtor is a not-for-profit tax exempt entity and, as such, has no issued and outstanding equity securities. Classes 1, 2 , 3 , 6, and 7 are impaired under the Plan, and, subject to the foregoing, holders of Claims in these Classes are entitled to vote to accept or reject the Plan. Classes 4, 5 and 8 are unimpaired under the Plan, and each holder of an Allowed Claim in Classes 4, 5 or 8 is deemed to have accepted the Plan. Parties who dispute the Debtor's characterization of their Claim as being impaired or unimpaired my file an objection to the Plan contending that the Debtor has incorrectly characterized the applicable Class as being impaired or unimpaired.

3. Record Date for Voting.

The record date for determining for voting is **[DATE]** (the "**Voting Record Date**"). A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that an acceptance or rejection was not solicited or procured or made in good faith or in accordance with the provisions of the Bankruptcy Code.

4. Votes Necessary to Confirm the Plan.

When there are impaired Classes under a Plan, the Court cannot confirm the Plan unless (1) at least one impaired Class has accepted the Plan, without counting the votes of any

insiders within that class, and (2) all impaired Classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cramdown" on non-accepting classes, as discussed below in **Section V.D** ("*Nonconsensual Confirmation.*").

5. Votes Necessary for a Class to Accept the Plan.

Each of the Voting Classes of Claims will be deemed to have accepted the Plan if the Plan is accepted by holders of at least two-thirds in dollar amount and more than one-half in number of the Claims of such Class (excluding certain Claims designated under section 1126(e) of the Bankruptcy Code) that will have voted to accept or reject the Plan.

FOR THE PURPOSES OF TALLYING THE NUMBER OF CLAIMS THAT HAVE BEEN VOTED WITHIN ANY VOTING CLASS, BALLOTS SUBMITTED BY ANY OF THE PERSON IDENTIFIED IN THE PRECEDING SECTION V.B.2.A WILL NOT BE COUNTED.

6. Tabulation of Votes.

The amount of a Claim for voting purposes will be, as applicable: (i) the amount listed on the Debtor's Schedules, if (A) the amount is listed as not contingent, unliquidated or disputed, and (B) the creditor has not Filed a Proof of Claim; (ii) the fixed liquidated amount set forth in a timely Filed Proof of Claim that is not subject to a pending objection or request for estimation; (iii) the amount estimated for voting purposes by Final Order of the Bankruptcy Court; (iv) the amount set forth in a Final Order allowing the Claim; or (v) if none of clauses (i)-(iv) apply, then $0. The Debtor's failure to object to a particular amount set forth in a Ballot does not prejudice the rights of the Debtor or any other party in interest from objecting to the amount of such Claim.

Each healthcare provider that provided pre-petition services to the Debtor's subscribers, members, or enrollees based on a single pre-petition contract with the Debtor shall be deemed to have one Claim for voting purposes, regardless of either the number of Claims each such healthcare provider may have filed or the number of separate patient services performed by such health care provider.

If a creditor submits a Ballot that fails to designate whether the creditor accepts or rejects the Plan, or that purports to elect both to accept and reject the Plan, such Ballot will be counted as a vote in favor of acceptance of the Plan.

7. Treatment of Nonaccepting Classes.

The Debtor anticipates that one or more of the impaired Classes will vote to accept the Plan. Even if one or more impaired Classes does not accept the Plan, the Court may nonetheless confirm the Plan if the nonaccepting Classes are treated in the manner required by the Bankruptcy Code. The process by which nonaccepting classes are forced to be bound by the terms of the Plan is commonly referred to as "cramdown." The Bankruptcy Code allows the Plan to be "crammed down" on nonaccepting classes of claims or interests if it meets all consensual requirements except the voting requirement of section 1129(a)(8) of the Bankruptcy Code, and if the Plan does not "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted to accept the Plan as referred to Section 1129(b) of the Bankruptcy Code and applicable case law.

8. Request for Confirmation Despite Nonacceptance by Impaired Class(es).

In the event of any rejection of the Plan by one or more of the impaired Classes, the Debtor reserves the right to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

C. Confirmation Hearing.

At the Confirmation Hearing, the Bankruptcy Court will determine, among other things, whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponents of the Plan have complied with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means proscribed by law.
4. Any payment made or promised by the Debtor for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with

the Plan and incident to the Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable or, if such payment is to be fixed after the confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

5. The Debtor has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtor, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and with public policy, and the Debtor has disclosed the identity of any insider that will be employed or retained by the Debtor and the nature of any compensation for such insider.

6. Each holder of an impaired Claim either has accepted the Plan or will receive or retain under the Plan on account of such holder's Claims, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code. *See* **Section V.C.1.** ("*Best Interests Test.*")

7. Unless the Debtor proposes a nonconsensual plan of reorganization, each class of Claims has either accepted the Plan or is not impaired under the Plan. *See* **Section V.D** ("*Nonconsensual Confirmation.*").

8. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Expenses and Priority Claims will be paid in full on the Effective Date and that holders of Priority Tax Claims will receive on account of such Claims either payment in full on the Effective Date or deferred cash payments, over a period not exceeding six years after the date of assessment of such Claims, of a value as of the Effective Date equal to the allowed amount of such Claims.

9. At least one class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

10. The Plan contemplates the disposition of all of the assets of the Estate and the distribution of the proceeds therefrom to holders of Allowed Claims in order of priority and as provided for in the Plan. See **Section V.E** ("*Feasibility.*").

The Debtor believes that, upon acceptance of the Plan by each of the impaired Classes (or, if applicable, pursuant to the "cramdown" requirements of Section 1129(b) of the Bankruptcy Code), the Plan will satisfy all the statutory requirements of Chapter 11 of the Bankruptcy Code, that the Debtor has complied or will have complied with all of the requirements of Chapter 11, and that the Plan is being proposed and will be submitted to the Bankruptcy Court in good faith.

1. Best Interest Test.

Confirmation of the Plan requires that each holder of an impaired Claim either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. The standard described in the preceding clause (b) commonly is referred to as the "best interest" test.

The Debtor has determined that confirmation of the Plan will satisfy the "best interest" test because the Plan will provide each holder of a Claim with a recovery that is not less than that which it would receive pursuant to a liquidation of the Debtor under chapter 7 of the Bankruptcy Code. This determination is based upon the analysis attached hereto as **Exhibit E** (the "**Liquidation Analysis**"). While the Debtor believes that the assumptions utilized in the Liquidation Analysis are reasonable, the validity of such assumptions may be affected by the occurrence of events and the existence of conditions not now contemplated or by other factors, many of which would be beyond the control of the Bankruptcy Court, the Debtor, and the chapter 7 trustee. The actual liquidation value of the Debtor would likely vary from that presented herein. See § III.C ("*Disclaimer.*").

D. Nonconsensual Confirmation.

As set forth above, in the event that any impaired class of Claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request if all other requirements of section 1129(a) of the Bankruptcy Code are satisfied, and if, as to each impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such non-accepting Class.

1. No Unfair Discrimination.

A plan of reorganization "does not discriminate unfairly" if (a) the legal rights of a non-accepting class are treated in a manner that is consistent with the treatment of other classes whose legal rights are intertwined with those of the non-accepting class, and (b) no class receives payments in excess of that which it is legally entitled to receive for its Claims. The Debtor believes that under the Plan, (i) all classes of impaired Claims are treated in a manner that is consistent with the treatment of other classes of Claims with which their legal rights are intertwined, if any, and (ii) no class of Claims will receive payments or property with an aggregate value greater than the aggregate value of the Allowed Claims in such class. Accordingly, the Debtor believes the Plan does not discriminate unfairly as to any impaired class.

2. Fair And Equitable Test.

The Bankruptcy Code establishes different "fair and equitable" tests for holders of secured Claims and holders of unsecured Claims, as follows:

(a) **Secured Claims**. Either (i) each holder of an impaired secured Claim either (x) retains the liens securing its secured Claim and receives on account of its Allowed Secured Claim deferred cash payments having a present value equal to the amount of its Allowed Secured Claim, or (y) realizes the "indubitable equivalent" of its Allowed Secured Claim, or (ii) the property securing the Claim is sold free and clear of liens, with such liens to attach to the proceeds, and the liens against such proceeds are treated in accordance with clause (i) of this subparagraph (a).

(b) **Unsecured Claims**. Either (i) each holder of an impaired unsecured Claim receives or retains under the Plan property of a value equal to the amount of its Allowed Claim, or (ii) the holders of Claims that are junior to the Claims of the non-accepting class do not receive any

property under the Plan on account of such Claims. In this case, as the Debtor does not have any equity securities, no holder of an Interest will receive or retain any property under the Plan.

IN THE EVENT OF REJECTION OF THE PLAN BY ONE OR MORE IMPAIRED CLASSES, THE DEBTOR RESERVES THE RIGHT TO REQUEST THE BANKRUPTCY COURT TO CONFIRM THE PLAN IN ACCORDANCE WITH SECTION 1129(b) OF THE BANKRUPTCY CODE.

E. Feasibility.

The Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, unless a liquidation is contemplated by the Plan. This standard commonly is referred to as the "feasibility" test.

The Plan is feasible because it provides for the Debtor to use the Plan Assets to pay Allowed Claims consistent with the priorities set forth in the Bankruptcy Code, after which, if any surplus is remaining, the Debtor will use in accordance with the Reorganized Debtor's Articles of Incorporation and By-Laws and applicable non-bankruptcy law. As set forth in **Exhibit C** attached hereto, the Debtor projects that it will have sufficient cash to fund the Effective Date payments and the Plan Reserves.

F. Effects Of Confirmation.

1. Binding Effect.

Confirmation will bind the Debtor, all holders of Claims or Administrative Expense Claims and other parties in interest to the provisions of the Plan whether or not the Claim or Administrative Expense Claim of such holder is impaired under the Plan and whether or not the holder of such Claim or Administrative Expense Claim has accepted the Plan. Nothing contained in the Plan will limit the effect of Confirmation as described in section 1141 of the Bankruptcy Code.

2. Good Faith.

Confirmation of the Plan will constitute a finding that: (i) the Plan has been proposed by the Debtor in good faith and in compliance with applicable provisions of the Bankruptcy Code;

and (ii) all Persons' solicitations of acceptances or rejections of this Plan and the offer, issuance, sale, or purchase of a security offered or sold under the Plan have been in good faith and in compliance with applicable provisions of the Bankruptcy Code.

3. **Discharge.**

Except as provided in the Plan or Confirmation Order, the rights afforded and the treatment of Claims and Administrative Expense Claims provided under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and Administrative Expense Claims, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or the Confirmation Order, Confirmation will discharge the Debtor and Reorganized Debtor from all Claims, Administrative Expense Claims or other debts that arose before the Confirmation Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (c) the holder of a Claim or Administrative Expense Claim based on such debt has accepted the Plan. As of the Confirmation Date, except as provided in the Plan or the Confirmation Order, all Entities shall be precluded from asserting against the Debtor, the Reorganized Debtor, their successors or their property, any other or further claims, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any nature that occurred prior to the Confirmation Date.

As of the Confirmation Date, except as provided in the Plan, all Entities shall be precluded from asserting against the Debtor or the Reorganized Debtor any other or further Claims, Administrative Expense Claims, debts, rights, causes of action, liabilities, or equity interests based on any act, omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date. In accordance with the foregoing, except as provided in the Plan or in the Confirmation Order, the Confirmation Order will be a judicial determination of discharge of all such Claims, Administrative Expense Claims and other debts and liabilities against the Debtor, pursuant to sections 524 and 1141 of the Bankruptcy Code,

and such discharges shall void any judgment obtained against the Debtor or the Reorganized Debtor at any time, to the extent that such judgment relates to a discharged liability, Claim, or Administrative Expense Claim. Notwithstanding the foregoing, federal and state governmental agencies shall not be subject to the foregoing injunction with respect to the exercise and enforcement of any of their respective regulatory or police rights and powers.

4. Injunctions.

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Entities that have held, currently hold or may hold a Claim or other debt or liability that is satisfied or released, as applicable, will be permanently enjoined from taking any of the following actions on account of any such discharged or satisfied Claims, debts or liabilities: (a) commencing or continuing in any manner any action or other proceeding against the Debtor, Estate, the Reorganized Debtor or their respective property, other than to enforce any right pursuant to the Plan to a distribution; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtor, Estate, the Reorganized Debtor or their respective property, other than as permitted pursuant to (a) above; (c) creating, perfecting or enforcing any lien or encumbrance against the Debtor, Estate, the Reorganized Debtor or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor, Estate, or the Reorganized Debtor; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan, provided however, that nothing herein shall affect or otherwise impair the existing right of setoff by the United States of mutual pre-petition obligations. Notwithstanding the foregoing, federal and state governmental agencies shall not be subject to the foregoing injunction with respect to the exercise and enforcement of any of their respective regulatory or police rights and powers.

As of the Effective Date, all Entities that have held, currently hold or may hold any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities that are released pursuant to the Plan will be permanently enjoined from taking any of the following actions against any released Entity or its property on account of

such released claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any Lien; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released Entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan. Notwithstanding the foregoing, federal and state governmental agencies shall not be subject to the foregoing injunction with respect to the exercise and enforcement of any of their respective regulatory or police rights and powers.

By accepting any distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in the Section 11.6 of the Plan.

5. Exculpation and Limitation of Liabilities.

To the maximum extent permitted by law, none of the Debtor, the Reorganized Debtor, the Estate, the Committee, nor any of their employees, officers, directors, agents, members, representatives, or the professionals employed or retained by any of them, whether or not by Bankruptcy Court order (each, an "Exculpated Person"), shall have or incur liability to any Person for an act taken or omission made in good faith in connection with or related to the Chapter 11 Case, formulation of the Plan, the Disclosure Statement, or a contract, instrument, release, or other agreement or document created in connection therewith, the solicitation of acceptances for or confirmation of the Plan, or the consummation and implementation of the Plan and the transactions contemplated therein. Each Exculpated Person shall in all respects be entitled to reasonably rely on the advice of counsel with respect to its duties and responsibilities under the Plan. Entry of the Confirmation Order constitutes a judicial determination that the exculpation provision contained in this Section is necessary to, inter alia, facilitate Confirmation and feasibility and to minimize potential claims arising after the Effective Date for indemnity, reimbursement or contribution from the Reorganized

Debtor. The Confirmation Order's approval of the Plan also will constitute a res judicata determination of the matters included in the exculpation provisions of the Plan.

6. Plan Distributions and Transfers Deemed Not To Be Fraudulent Transfers.

The Confirmation Order will be a judicial determination that no distribution or transfer of Cash, securities or other property under the Plan by the Debtor or Reorganized Debtor is to be deemed to have been made with the actual intent to hinder, delay, or defraud any creditor. Moreover, the Confirmation Order also will be a judicial determination that, with respect to a timely distribution or transfer by the Debtor or Reorganized Debtor of Cash, securities or other property which was required under the Plan to be made on, or as soon as practicable after, the Effective Date, the Debtor or Reorganized Debtor (1) was solvent at the time of such distribution or transfer and immediately thereafter, (2) was not left thereby with an unreasonably small amount of assets with respect to its intended business or transactions, and (3) did not intend to incur, did not believe it would incur, and reasonably should have believed it would not incur, debts beyond its ability to pay as they became due.

7. Revesting of Assets.

The Remaining Plan Assets will vest in the Reorganized Debtor free and clear of all Claims, Liens and Rights of Action. On the Effective Date, or as soon thereafter as is practicable, to the extent of Remaining Plan Assets, the Reorganized Debtor shall cause such Remaining Plan Assets to be used in accordance with the Reorganized Debtor's Articles of Incorporation and By-Laws and applicable non-bankruptcy law.

a. Estate Causes of Action

Any and all Estate Causes of Action accruing to the Debtor or its Estate will remain assets of the Estate and will revest in the Reorganized Debtor, whether or not litigation relating thereto is pending on the Effective Date. The Debtor, or the Reorganized Debtor, as the case may be, may pursue all Estate Causes of Action in its respective sole discretion, in accordance with what is in the best interests, and for the benefit, of the Debtor, the Estate and the Reorganized Debtor. Neither the Debtor, the Estate, nor the Reorganized Debtor waives, relinquishes, or abandons any

right or cause of action which constitutes property of the Debtor's Estate, whether or not such right or cause of action is an Estate Cause of Action, has been listed or referred to in the Schedules or in this Disclosure Statement and whether or not such right or cause of action is currently known to the Debtor.

The rights and causes of action which will remain assets of the Estate and revest in the Reorganized Debtor shall include, without limitation, the following:

a. Claims against Persons pursuant to sections 510, 541, 542, 543, 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code;

b. any Claims or rights of the Debtor under its leases, agreements, documents, or otherwise (unless such leases or agreements are sold), including, without limitation, any offset, credit, or reimbursement for overpayment;

c. all Claims or rights of the Debtor against any Person for interference with, or damage to, the Debtor's business;

d. all Claims or rights of the Debtor against its customers, vendors or suppliers; and

e. all Claims or rights of the Debtor against Persons who may have infringed, violated, or otherwise acted in breach of, or in violation of, the Debtor's intellectual property rights;

Other than specifying the Claims and categories of potential Claims, the Debtor has not undertaken a review and analysis of potential Estate Causes of Action with a view to specifying Claims or identifying potential defendants. The Debtor submits that its reservation of Estate Causes of Action herein is sufficient to preserve such Estate Causes of Action. **Accordingly, the Debtor does not intend to undertake any review or analysis of facts or theories of law which might give rise to more specific or general potential Estate Causes of Action.** The disclosure set forth herein is adequate under the circumstances and the Plan provides that the Debtor, the Estate and the Reorganized Debtor shall not be subject to any release, waiver, extinguishment, forfeiture or other impairment of any Estate Cause of Action against any party, or defense of res judicata, equitable estoppel or any other similar doctrines or theories, in connection with any Estate Cause of Action.

VI.

ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN OF REORGANIZATION

The Debtor believes that the Plan affords holders of Claims the potential for the greatest feasible realization out of the Debtor's assets, and, therefore, is in the best interest of such holders. The Debtor has considered alternatives to the Plan such as a liquidation in the context of a chapter 7 case. In the opinion of the Debtor, such alternatives would not afford holders of Claims a return greater than that achieved under the Plan.

A. Liquidation Under Chapter 7.

If no plan can be confirmed, the Debtor's Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recovery by holders of Claims is set forth in **Section V.C.1** ("*Best Interest Test.*").

B. Alternative Plan Of Reorganization.

If the Plan is not confirmed, the Debtor (or if the Debtor's exclusive period in which to file a plan of reorganization has expired, any other party in interest) could attempt to formulate a different plan. However, given that the Debtor has sold its lines of business and no longer has any business operations, the Debtor does not believe that any such plan would be materially different that the Plan. **THUS, THE DEBTOR BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED HEREIN BECAUSE IT IS EXPECTED TO PROVIDE GREATER RECOVERIES AND INVOLVE LESS DELAY AND UNCERTAINTY AND LOWER ADMINISTRATIVE COSTS.**

VII.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES.

A. Introduction.

The implementation of the Plan may have federal, state and local tax consequences to Debtor and Debtor's creditors. No tax opinion has been sought or will be obtained with respect to any tax consequences of the Plan. This Disclosure Statement does not constitute and is not intended to constitute either a tax opinion or tax advice to any person, and the summary contained herein is provided for informational purposes only.

The discussion below summarizes only certain of the federal income tax consequences associated with the Plan's implementation. This discussion does not attempt to comment on all aspects of the federal income tax consequences associated with the Plan, nor does it attempt to consider various facts or limitations applicable to any particular creditor which may modify or alter the consequences described herein. A creditor may find that the tax consequences of the Plan to such creditor differ materially from the tax consequences discussed below because of such creditor's facts and circumstances. This discussion does not address state, local or foreign tax consequences or the consequences of any federal tax other than the federal income tax.

The following discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), the regulations promulgated thereunder, existing judicial decisions and administrative rulings. In light of the rapidly-changing nature of tax law, no assurance can be given that legislative, judicial or administrative changes will not be forthcoming that would affect the accuracy of the discussion below. Any such changes could be material and could be retroactive with respect to the transactions entered into or completed prior to the enactment or promulgation thereof. The tax consequences of certain aspects of the Plan are uncertain due to the lack of applicable legal authority and may be subject to judicial or administrative interpretations that differ from the discussion below.

CREDITORS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM AND TO DEBTOR OF

THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

B. Federal Income Tax Consequences to Debtor.

Debtor is organized and operated exclusively for tax-exempt purposes and qualified as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. Debtor believes but cannot assure that it will retain such status through and including the Effective Date.

A tax-exempt organization's exemption from federal income taxation is qualified rather than absolute. Specifically, an organization exempt from federal income tax under Internal Revenue Code section 501(c)(3) in nevertheless taxable on its income from an unrelated trade or business and its income and gain attributable to certain kinds of debt-financed property. Although Debtor cannot exclude the possibility that it may be liable for federal income tax under these rules, Debtor does not believe that such tax liability, if any, will materially affect its ability to perform its obligations under the Plan.

C. Tax Consequences To Creditors.

The tax consequences of the Plan's implementation to a creditor will depend on the type of consideration received by the creditor in exchange for its Claim, whether the creditor reports income on the cash or accrual method, whether the creditor receives consideration in more than one tax year of the creditor, and whether all the consideration received by the creditor is deemed to be received by that creditor in an integrated transaction. The tax consequences upon the receipt of cash or other property allocable to interest are discussed below under "Receipt of Interest."

1. Receipt of Interest.

Income attributable to accrued but unpaid interest will be treated as ordinary income, regardless of whether the creditor's existing Claims are capital assets in its hands.

A creditor who, under its accounting method, was not previously required to include in income accrued but unpaid interest attributable to existing Claims, and who exchanges its interest Claim for cash, or other property pursuant to the Plan, will be treated as receiving ordinary interest income to the extent of any consideration so received allocable to such interest, regardless of whether that creditor realizes an overall gain or loss as a result of the exchange of its existing

Claims. A creditor who had previously included in income accrued but unpaid interest attributable to its existing Claims will recognize a loss to the extent such accrued but unpaid interest is not satisfied in full. For purposes of the above discussion, "accrued" interest means interest which was accrued while the underlying Claim was held by the creditor. The extent to which consideration distributable under the Plan is allocable to such interest is uncertain.

Creditors holding Allowed Class 7 Claims or Allowed Class 8 Claims who are on an accrual method of accounting and have not previously accrued Post-Petition Interest (for the period from the Petition Date to the Effective Date) with respect to such Claim as income may be required to accrue such Post-Petition Interest as income on the Effective Date.

2. Receipt of Principal.

A creditor who previously claimed a bad debt deduction with respect to an obligation of the Debtor and who recovers such all or a portion of such amount pursuant to payments made under the Plan in respect of an Allowed Claim arising from such obligation may be required to include such recovered amount in income under the tax benefit rule. If such bad deduction did not give rise to tax savings, the recovered amount may be excludable from income pursuant to Internal Revenue Code Section 111.

3. Other Tax Considerations.

a. Market Discount.

If a creditor has a lower tax basis in a Debtor obligation than its face amount, the difference may constitute market discount under section 1276 of the Internal Revenue Code. (Certain Debtor obligations are excluded from the operation of this rule, such as obligations with a fixed maturity date not exceeding one year from the date of issue, installment obligations to which Internal Revenue Code section 453B applies and, in all likelihood, demand instruments).

Holders in whose hands Debtor obligations are market discount bonds will be required to treat as ordinary income any gain recognized upon the retirement or exchange of such obligations to the extent of the market discount accrued during the holder's period of ownership, unless the holder has elected to include such market discount in income as it accrued.

b. Withholding.

The Debtor will withhold any amounts required by law from payments made to creditors. This may require payments by certain creditors of the required withholding tax on any non-cash consideration issued to them. In addition, creditors may be required to provide general tax information to the Debtor.

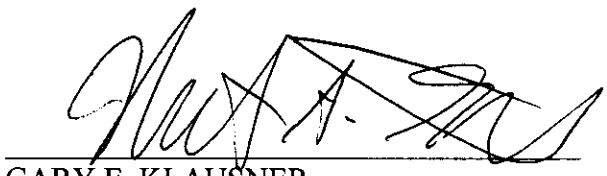
VIII.

RECOMMENDATION AND CONCLUSION.

The Debtor believes that confirmation and implementation of the Plan is the best alternative available to Creditors. Accordingly, the Debtor urges holders of impaired Claims to vote to accept the Plan by so indicating on their Ballots and returning them as specified therein.

WATTSHealth Foundation, Inc., dba UHP Healthcare, a California not-for-profit corporation

SUBMITTED BY:



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PROFESSIONAL CORPORATION
Reorganization Counsel for
Debtor and Debtor in Possession

EXHIBIT A

Plan

[TO BE PROVIDED]

EXHIBIT B

Balance Sheet – Petition Date and As of [December 31, 2006]

[TO BE PROVIDED]

EXHIBIT C

Sources and Uses

[TO BE PROVIDED]

EXHIBIT D

Claims Analysis

[TO BE PROVIDED]

EXHIBIT E

Liquidation Analysis

[TO BE PROVIDED]

EXHIBIT F

Initial Post-Confirmation Expense Budget Summary

[TO BE PROVIDED]