

1 SAMUEL R. MAIZEL (Bar No. 189301)
2 samuel.maizel@dentons.com
3 DENTONS US LLP
4 601 South Figueroa Street, Suite 2500
5 Los Angeles, CA 90017-5704
6 Telephone: (213) 623 9300
7 Facsimile: (213) 623 9924

GARY W. MARSH (*pro hac vice*)
gary.marsh@dentons.com
DAVID GORDON (*pro hac vice*)
david.gordon@dentons.com
DENTONS US LLP
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Telephone: (404) 527 4000
Facsimile: (404) 527 4198

Attorneys for Debtor
WEST CONTRA COSTA HEALTHCARE
DISTRICT

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

12 In re:
13 WEST CONTRA COSTA HEALTHCARE
14 DISTRICT.
15 Debtor.
16 Tax ID: 94-6003145

Case No. 16-42917 - RLE
Chapter 9
FIRST AMENDED DISCLOSURE
STATEMENT FOR THE PLAN FOR THE
ADJUSTMENT OF DEBTS DATED JULY 21,
2017

1 THIS FIRST AMENDED DISCLOSURE STATEMENT (THE “FIRST AMENDED
2 DISCLOSURE STATEMENT”) FOR THE PLAN FOR THE ADJUSTMENT OF DEBTS
3 DATED JULY 21, 2017 (THE “PLAN”) WAS APPROVED IN AUGUST, 2017 BY THE
4 UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF
5 CALIFORNIA.

6 THE FIRST AMENDED DISCLOSURE STATEMENT CONTAINS INFORMATION TO
7 ASSIST CREDITORS IN DECIDING HOW TO VOTE ON THE PLAN. YOU WILL FIND A
8 LIST OF DEFINED TERMS ON THE ATTACHED EXHIBIT A.

9 THE DISTRICT URGES YOU TO READ THIS FIRST AMENDED DISCLOSURE
10 STATEMENT AND THE PLAN CAREFULLY.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

| | <u>Page</u> |
|---|-------------|
| ARTICLE I. INTRODUCTION | 1 |
| ARTICLE II. THE PURPOSE OF THIS FIRST AMENDED DISCLOSURE STATEMENT | 1 |
| ARTICLE III. SUMMARY OF PLAN AND VOTING..... | 2 |
| 3.1 Proposed Treatment of Claims..... | 2 |
| 3.1.1 Class 1 -- Secured Claims of COPs Holders..... | 2 |
| 3.1.2 Class 2 -- Unsecured Claim and Contractual Rights of the County Under the Tax Sharing Agreements..... | 3 |
| 3.1.3 Class 3 -- WCCHD Successor Pension Plan Claims. | 3 |
| 3.1.4 Class 4 -- CNA Claim. | 4 |
| 3.1.5 Class 5 -- General Unsecured Claims. | 4 |
| 3.1.6 Class 6 -- EDD Claim. | 4 |
| 3.1.7 Class 7 - Local 39 Claim..... | 4 |
| 3.1.8 Administrative Claims. | 4 |
| 3.2 Voting on the Plan..... | 4 |
| 3.3 Date of the Confirmation Hearing and Deadlines for Objecting to Confirmation of the Plan..... | 5 |
| 3.4 Tax Attributes of the Plan. | 6 |
| 3.5 Additional Information..... | 6 |
| ARTICLE IV. OPERATIONS PRIOR TO AND FACTORS LEADING TO THE CHAPTER 9 FILING | 7 |
| 4.1 The Petition Date..... | 7 |
| 4.2 The District’s History..... | 7 |
| 4.3 The District’s Prior Chapter 9 Filing. | 7 |
| 4.4 The Closure of the Hospital. | 8 |
| 4.5 Events Leading to the Filing of this Chapter 9 Case..... | 8 |

| | | |
|----|---|----|
| 1 | ARTICLE V. CHAPTER 9 EVENTS | 8 |
| 2 | 5.1 Notice of Commencement of Case; Entry of Order for Relief; Bar Date for | |
| 3 | Filing Proofs of Claims. | 8 |
| 4 | 5.2 Order Excusing Appointment of Patient Care Ombudsman and Patient | |
| 5 | Records Order. | 9 |
| 6 | 5.3 Assumption of Headquarters Lease. | 9 |
| 7 | 5.4 The 928(b) Order..... | 9 |
| 8 | 5.5 Professional Fees Incurred. | 10 |
| 9 | 5.5.1 Archer Norris | 10 |
| 10 | 5.5.2 Dentons | 10 |
| 11 | 5.5.3 Optimum Financial | 10 |
| 12 | 5.6 Verizon..... | 10 |
| 13 | 5.7 Committee of Unsecured Creditors..... | 11 |
| 14 | 5.8 Other Objections to the Disclosure Statement. | 11 |
| 15 | ARTICLE VI. PLAN FOR THE ADJUSTMENT OF DEBT..... | 11 |
| 16 | 6.1 Overview of the Plan..... | 11 |
| 17 | 6.2 Sources of Creditor Payments Under the Plan..... | 12 |
| 18 | 6.2.1 Hospital Sale Proceeds and Other Cash on Hand as of the Effective | |
| 19 | Date. | 12 |
| 20 | 6.2.2 The Excess Parcel Tax Proceeds..... | 12 |
| 21 | 6.2.3 The Parcel Tax Reserve. | 13 |
| 22 | 6.2.4 The <i>Ad Valorem</i> Revenues..... | 13 |
| 23 | 6.3 Specification and Treatment of Claims and Interests. | 14 |
| 24 | 6.3.1 Non-Classified Claims. | 14 |
| 25 | 6.3.2 Classified Claims. | 14 |
| 26 | 6.3.3 Class 1 (Secured Claims of the COPs Holders)..... | 14 |
| 27 | 6.3.4 Class 2 (Unsecured Claim and Contractual Rights of the County | |
| 28 | Under the Tax Sharing Agreements)..... | 15 |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

6.3.5 Class 3 (WCCHD Successor Pension Plan Claims). 16

6.3.6 Class 4 (CNA Claim). 16

6.3.7 Class 5 (General Unsecured Creditors). 16

6.3.8 Class 6 (EDD Claim). 17

6.3.9 Class 7 (Local 39 Claim). 17

6.4 Means for Implementation of the Plan. 17

6.4.1 Plan Financial Projections. 17

6.4.2 Sale of the Hospital 18

6.4.3 Distributions 20

6.4.4 Disputed Claims 21

6.4.5 Unclaimed Property 21

6.5 Continuing Jurisdiction of the Bankruptcy Court. 22

6.6 Discharge of the District & Creation of the Reorganized District. 22

6.6.1 Future and Management of the Reorganized District. 22

6.6.2 Postconfirmation Administration and Retention of Professionals. 23

6.6.3 Treatment of Executory Contracts and Unexpired Leases. 23

6.6.4 Reservation of Rights by the Cellular Rights Parties. 24

6.6.5 Reservation of Rights by the Trustee and AMBAC. 24

ARTICLE VII. PLAN FEASIBILITY 24

ARTICLE VIII. BEST INTERESTS OF CREDITORS ANALYSIS 27

ARTICLE IX. CONFIRMATION 28

9.1 Record Date. 28

9.2 Voting. 28

9.3 Confirmation Standards. 29

9.4 Classification of Claims. 29

9.5 Modification of the Plan. 29

| | | | |
|---|-----------------------------|--|----|
| 1 | 9.6 | Confirmation Without Acceptance by All Impaired Classes..... | 29 |
| 2 | 9.7 | Effect of Confirmation..... | 30 |
| 3 | ARTICLE X. CONCLUSION | | 31 |

4 EXHIBIT A - DEFINITIONS

5 EXHIBIT B - DETAILED FINANCIAL PROJECTIONS

6 EXHIBIT C - COPs AMORTIZATION TABLE

7 EXHIBIT D - FIRST AMENDED PLAN OF ADJUSTMENT

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ARTICLE I.

INTRODUCTION

This First Amended Disclosure Statement describes the business background and operating history of the District before the filing of the Chapter 9 Case. It also summarizes certain significant events that have taken place during the Chapter 9 Case and describes the terms of the Plan, which divides the Claims of creditors into separate classes and provides for the sale of the Hospital and treatment of Allowed Claims.

Creditors are entitled to vote for acceptance or rejection of the Plan. The purpose of this First Amended Disclosure Statement is to provide holders of Claims against the District with adequate information to enable them to make an informed judgment about the Plan.

The District believes that the Plan provides the greatest and earliest possible recoveries to holders of Claims, that acceptance of the Plan is in the best interests of all parties, and that any alternative restructuring or reorganization would result in delay, uncertainty, expense, litigation, and, ultimately, smaller or no distributions to creditors. **ACCORDINGLY THE DISTRICT URGES THAT YOU CAST YOUR BALLOT IN FAVOR OF THE PLAN.**

ARTICLE II.

THE PURPOSE OF THIS FIRST AMENDED DISCLOSURE STATEMENT

The Bankruptcy Code generally requires that the proponent of a plan prepare and file with the Court a disclosure statement that provides information of a kind, and in sufficient detail, that would enable a typical holder of claims in a class impaired under that plan to make an informed judgment with respect to the plan. This First Amended Disclosure Statement provides such information. Parties in interest should read this First Amended Disclosure Statement, the Plan, and all of the exhibits accompanying such documents in their entirety in order to ascertain:

1. How the Plan will affect their Claims against the District;
2. Their rights with respect to voting for or against the Plan;
3. Their rights with respect to objecting to confirmation of the Plan; and
4. How and when to cast a ballot with respect to the Plan.

This First Amended Disclosure Statement, however, cannot and does not provide creditors

1 with legal or other advice or inform such parties of all aspects of their rights. Claimants are
2 advised to consult with their own attorneys and/or financial advisors to obtain more specific
3 advice regarding how the Plan will affect them and regarding their best course of action with
4 respect to the Plan.

5 This First Amended Disclosure Statement has been prepared in good faith and in
6 compliance with applicable provisions of the Bankruptcy Code. Based upon information
7 currently available, the District believes that the information contained in this First Amended
8 Disclosure Statement is correct as of the date of its filing.

9 **ARTICLE III.**

10 **SUMMARY OF PLAN AND VOTING**

11 This overview provides a general statement of the Plan's funding and proposed treatment
12 of creditors. Please see Article IV of the Plan and this First Amended Disclosure Statement for
13 additional detail.

14 At a basic level, the Plan provides that the District will sell the Hospital and will be
15 reorganized into the Reorganized District. Following the Effective Date, the Reorganized District
16 will focus its revenues on the repayment of creditors pursuant to the Plan and, to the extent of
17 available cash, the Reorganized District intends to utilize its revenues to resume providing
18 healthcare services to the citizens of the District and County. The nature, scope and cost of such
19 healthcare services for the residents of the District and County will be determined in the future by
20 the Reorganized District. The proposed treatment of the District's creditors under the Plan is set
21 forth below.

22 **3.1 Proposed Treatment of Claims.**

23 **3.1.1 Class 1 -- Secured Claims of COPs Holders.**

24 Class 1 is impaired under the Plan. The secured claim of the 2004 COPs Holders shall be
25 allowed in the amount of \$16,370,000.00 or such other amount as is actually outstanding as of the
26 Effective Date. The secured claim of the 2011 COPs Holders shall be allowed in the amount of
27 \$39,620,000.00 or such other amount as is actually outstanding as of the Effective Date.

28 The secured claims of the COPs Holders shall be paid in full with interest under the Plan.

1 Payments of principal and interest shall be made to the COPs Holders pursuant to 2004 COPs
2 Documents and 2011 COPs Documents, and the Plan shall not modify the applicable interest rates
3 or maturity dates under the COPs Documents, except as set forth herein.

4 As set forth more fully in the Plan, the COPs Documents shall be modified to provide
5 that: (1) all existing defaults of the District under the COPs Documents shall be deemed waived
6 upon confirmation of the Plan; (2) the Trustee shall no longer be permitted to retain the Excess
7 Parcel Tax Proceeds or the Parcel Tax Reserve, and all funds held by the Trustee as of the
8 Effective Date that constitute Excess Parcel Tax Proceeds or the Parcel Tax Reserve funds shall
9 be returned by the Trustee to the Reorganized District within seven days of the Effective Date of
10 the Plan; (3) any mandatory or discretionary prepayment rights of the COPs Holders under the
11 COPs Documents or any other provision of the COPs Documents that would cause payments by
12 the Reorganized District to the Trustee to be inconsistent in any way with the COPs Amortization
13 Table shall be extinguished; and (4) the Default Provisions of the COPs Documents shall be
14 modified to provide that only the District's failure to make the payments set forth in the COPs
15 Amortization Table, after notice and a cure period, shall constitute a default under the COPs
16 Documents. The Trustee and COPs Holders shall retain their lien on the Parcel Tax Revenues in
17 order to secure the Reorganized District's payment obligations under the Plan. The Reorganized
18 District and Trustee shall execute amended COPs Documents consistent with the foregoing
19 treatment.

20 **3.1.2 Class 2 -- Unsecured Claim and Contractual Rights of the County Under the**
21 **Tax Sharing Agreements.**

22 Class 2 is impaired under the Plan. The County will receive one distribution in the
23 amount of \$218,132.50 on account of its \$436,265.01 Allowed Unsecured Claim within twenty-
24 four (24) months of the Effective Date. The County's rights under the Tax Sharing Agreements
25 will not be altered by the Plan.

26 **3.1.3 Class 3 -- WCCHD Successor Pension Plan Claims.**

27 Class 3 is unimpaired under the Plan. All of the District's obligations under the WCCHD
28 Successor Pension Plan will be assumed and honored by the Reorganized District.

1 **3.1.4 Class 4 -- CNA Claim.**

2 Class 4 is impaired under the Plan. The CNA Claim shall be paid \$2,500,000 over nine
3 years without interest in equal, annual payments of \$250,000 in years 1 through 7 and \$375,000
4 in years 8 and 9. Additionally, the \$212,292.13 in funds currently held by MidAmerica shall be
5 available to pay the CNA Claim. MidAmerica, or another administrator selected by CNA, shall
6 serve as the disbursing agent for all payments to be made to the nurses who are the beneficiaries
7 of the CNA Claim.

8 **3.1.5 Class 5 -- General Unsecured Claims.**

9 Class 5 is impaired under the Plan. The Reorganized District shall pay \$6,000,000.00 to
10 General Unsecured Creditors holding Allowed Unsecured Claims to be distributed to holders of
11 Allowed Unsecured Claims on a *pro rata* basis pursuant to the terms provided in the Plan.

12 **3.1.6 Class 6 -- EDD Claim.**

13 Class 6 is impaired under the Plan. The Reorganized District shall pay the EDD Claim,
14 less the penalties and interest, over a two (2) year period following the Effective Date in two (2)
15 equal installments of \$661,848.05, which payments shall be in full satisfaction of the EDD Claim.

16 **3.1.7 Class 7 - Local 39 Claim.**

17 The Local 39 Pension Claim shall be paid in full over ten (10) years in annual installments
18 of \$31,480.99. The Local 39 Health Claim shall be paid at a 50% discount over nine (9) years in
19 annual installments of \$8,214.98. The liquidated damages and interest asserted in the Local 39
20 Claim is not proposed to be paid.

21 **3.1.8 Administrative Claims.**

22 All Allowed Administrative Claims will be paid in full within sixty (60) days of the
23 Effective Date of the Plan unless a creditor holding such an Allowed Administrative Claim agrees
24 to different terms.

25 **3.2 Voting on the Plan.**

26 All creditors holding claims in the Impaired Classes (Classes 1, 2, 4, 5, 6 and 7) are entitled
27 to vote for acceptance or rejection of the Plan. The District will provide copies of this First
28 Amended Disclosure Statement and ballots to all known holders of such Claims.

1 Creditors must mail or deliver the ballot to:

2 Gary W. Marsh
3 Dentons US LLP
4 303 Peachtree Street, Suite 5300
Atlanta, GA 30308

5 In order for your vote to be counted, your completed Ballot must be received by mail or
6 personal delivery **no later than 5:00 p.m. EST on September 18, 2017**. Ballots received after
7 this deadline, and ballots returned directly to the Bankruptcy Court, shall not be counted in
8 connection with confirmation of the Plan.

9 After the Ballots have been tabulated, the Bankruptcy Court will decide whether the
10 District has met the necessary legal requirements for approval, or Confirmation of the Plan. Upon
11 Confirmation, the Plan will be binding upon all creditors regardless of whether an individual
12 creditor has voted in favor of the Plan.

13 **3.3 Date of the Confirmation Hearing and Deadlines for Objecting to Confirmation of**
14 **the Plan.**

15 The Confirmation Hearing will be held on October 12 and 13, 2017, at 9:30 a.m. Pacific
16 Time in the Courtroom of the Honorable Roger L. Efremsky, Courtroom 201, at 1300 Clay Street,
17 Oakland, California, 94612. The Confirmation Hearing may be continued from time to time by
18 announcement in open Court without further notice.

19 Any objections to confirmation of the Plan must be filed with the Bankruptcy Court and
20 served on the following entities so as to be actually received by no later than September 18, 2017:
21 (a) counsel to the District: (i) Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los
22 Angeles, CA 90017, Attention: Samuel R. Maizel; (ii) Dentons US LLP, 303 Peachtree Street,
23 Suite 5300, Atlanta, GA 30308, Attention: Gary W. Marsh; and (b) counsel to the Committee Fox
24 Rothschild LLP, 345 California Street, Suite 2200, San Francisco, CA 94104, Attn: Michael
25 Sweet. Objections that are not timely filed and served may not be considered by the Bankruptcy
26 Court. *Please refer to the accompanying Order Approving the First Amended Disclosure*
27 *Statement for specific requirements regarding the form and nature of objections to*
28 *confirmation of the Plan.*

1 **3.4 Tax Attributes of the Plan.**

2 The District will not seek a ruling from the Internal Revenue Service prior to the Effective
3 Date with respect to any of the tax aspects of the Plan. **EACH HOLDER OF A CLAIM
4 SHOULD CONSULT WITH HIS OR HER OWN ADVISOR REGARDING THE
5 FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.**

6 The Reorganized District will withhold all amounts required by law to be withheld from
7 payments to holders of Allowed Claims. In addition, such holders may be required to provide
8 certain tax information to the Reorganized District as a condition of receiving Distributions under
9 the Plan including, without limitation, IRS Forms W-8 and/or W-9. The Reorganized District
10 will comply with all applicable reporting requirements of the Internal Revenue Code of 1986, as
11 amended.

12 **PLEASE NOTE THAT THE PROJECTED FINANCIAL INFORMATION
13 CONTAINED HEREIN REFLECTS VARIOUS ASSUMPTIONS BY THE DISTRICT
14 THAT MAY OR MAY NOT PROVE TO BE CORRECT. IN ADDITION, ESTIMATES
15 OF ALLOWED CLAIMS MAY VARY FROM THE FINAL AMOUNTS OF ALLOWED
16 CLAIMS. THE BANKRUPTCY COURT HAS MADE NO INDEPENDENT
17 INVESTIGATION OR DETERMINATION OF ANY FACTUAL STATEMENT OR
18 DOLLAR VALUE SET FORTH IN THE PLAN OR THE FIRST AMENDED
19 DISCLOSURE STATEMENT.**

20 **3.5 Additional Information.**

21 If you have any questions about the procedures for voting on the Plan, desire another copy
22 of a ballot, or seek further information about the timing and deadlines with respect to
23 Confirmation of the plan, please contact counsel for the District as follows: Gary W. Marsh,
24 Dentons US LLP, 303 Peachtree Street, Suite 5300, Atlanta, GA 30308, (404) 527-4150,
25 gary.marsh@dentons.com. Please note that counsel for the District cannot and will not provide
26 creditors with any legal advice, including advice regarding how to vote on the Plan or the effect
27 that Confirmation of the Plan will have upon claims against the District.
28

1 **ARTICLE IV.**

2 **OPERATIONS PRIOR TO AND FACTORS LEADING TO THE CHAPTER 9 FILING**

3 **4.1 The Petition Date.**

4 The District filed a voluntary petition initiating this Chapter 9 Case on October 20, 2016.

5 **4.2 The District's History.**

6 The District is a public agency formed in 1948 under the State of California Local
7 Healthcare District Law. The District completed construction of a Hospital to serve the people of
8 Hercules, El Sobrante, Richmond, North Richmond, East Richmond Heights, Kensington, Pinole,
9 Rodeo, El Cerrito, Crockett, and San Pablo, then known as Brookside Hospital, in 1954.

10 The District operated the Hospital at a significant annual loss until 1997 when it leased the
11 Hospital to Tenet Healthcare Corporation. Tenet changed the name of the Hospital to "Doctors
12 Medical Center" and combined it with a second Tenet-operated Doctors Medical Center in
13 Pinole. Tenet operated the two hospitals until August 1, 2004, when it terminated its lease
14 agreement with the District and returned control and operation of both facilities to the District.

15 **4.3 The District's Prior Chapter 9 Filing.**

16 Even before the termination of the Tenet management and lease agreement, the Hospital
17 was losing millions of dollars each year. Following the 2004 transition, with the Hospital running
18 out of cash and closure of the Hospital imminent, the District introduced a special parcel tax
19 measure (Measure D) to supplement the existing *ad valorem* property tax, which measure was
20 approved by 84% of voting residents in June 2004. Immediately thereafter the District used the
21 future proceeds from that new parcel tax to secure \$26 million in long-term municipal bond
22 financing through the sale of the 2004 COPs. The proceeds of the 2004 COPs were used to
23 provide general working capital to the District and to cover continuing losses at the Hospital.

24 Despite the issuance of the 2004 COPs, the District continued to struggle. The Hospital
25 posted a \$22.9 million operating loss in 2005, which loss consumed almost all of the cash reserve
26 created by the 2004 COPs. Facing a projected deficit of \$35 million by the end of 2006, the
27 District filed for bankruptcy on October 1, 2006, commencing Chapter 9 case number 06-41774.

28

1 During the pendency of the bankruptcy case the District developed and implemented a plan
2 to achieve more than \$17 million in expense reductions and performance improvements. The
3 District secured additional outside funding and emerged from bankruptcy in 2008.

4 **4.4 The Closure of the Hospital.**

5 By 2011, the outside funding secured during the prior bankruptcy case was reduced by
6 93% and the District again faced a significant financial shortfall. The District again worked to cut
7 expenses and proposed a new, additional parcel tax (Measure J) that was approved by the voters
8 by a vote of 74%. The District used the future proceeds from this new parcel tax to secure an
9 additional \$35 million in long-term municipal financing through the 2011 COPs. The proceeds of
10 the 2011 COPs were used to refinance a portion of the 2004 COPs and to fund general operating
11 expenses of the District. With the Hospital continuing to lose money and the District unable to
12 secure additional financing, the District made the difficult decision to shut down operations at the
13 Hospital effective April 21, 2015.

14 **4.5 Events Leading to the Filing of this Chapter 9 Case.**

15 By October 2016, the revenues obtained by the District through the 2011 COPs had been
16 almost completely exhausted. Despite the District's best efforts, the District was unable to close a
17 sale of the Hospital to provide funds needed by the District on terms acceptable to the District.
18 Moreover, as a result of the closure of the Hospital, the District's obligations under 2004 and
19 2011 COPs were affected as provided for in the COPs Documents such that all of the parcel tax
20 revenue collected by the County on behalf of the District, approximately \$5.6 million per year,
21 was retained by the Trustee to serve as additional collateral to secure the District's obligations
22 under the COPs Documents. The acceleration of the COPs indebtedness resulted in the District
23 being left with no funds to continue operations or pay creditors, necessitating the filing of this
24 Chapter 9 Case.

25 **ARTICLE V.**

26 **CHAPTER 9 EVENTS**

27 **5.1 Notice of Commencement of Case; Entry of Order for Relief; Bar Date for Filing** 28 **Proofs of Claims.**

1 On October 25, 2016, the Bankruptcy Court entered the *Ex Parte* Order. The *Ex Parte*
2 Order approved the form of Notice of Commencement proposed by the District and directed that
3 the Notice of Commencement be published in the *West County Times* and served on all creditors.
4 The *Ex Parte Order* also set November 30, 2016, as the deadline for filing objections to the
5 Petition and January 31, 2017 as the Bar Date for filing Proofs of Claims.

6 On January 11, 2017, after passage for the deadline for filing objections to the Petition,
7 the Bankruptcy Court entered the Order for Relief, effective *nunc pro tunc* to the Petition Date.

8 **5.2 Order Excusing Appointment of Patient Care Ombudsman and Patient Records**
9 **Order.**

10 On January 11, 2017, the Bankruptcy Court entered an Order finding that, because the
11 Hospital has been closed and the District is no longer caring for patients, the appointment of a
12 Patient Care Ombudsman is unnecessary in this Chapter 9 case.

13 On January 18, 2017, the Bankruptcy Court entered the Patient Records Order. Pursuant
14 to the Patient Record Order, the District has been authorized to destroy certain patient records
15 beginning in January 2018. The District is obligated under the Patient Records Order to publish a
16 notice regarding the disposal of these records and also send notices to affected patients. The
17 District duly published the notice in the *West County Times* on January 27, 2017, and sent
18 individual notices to, among others, affected patients on July 7, 2017. In January 2018 or
19 thereafter the District will mail a request to appropriate Federal agencies (if any) that such
20 agencies accept the District's patient records. Assuming no Federal agency accepts the District's
21 patient records, such records shall be destroyed in accordance with the Patient Records Order.

22 **5.3 Assumption of Headquarters Lease.**

23 By order dated February 21, 2017, the Bankruptcy Court authorized the District to assume
24 the lease for the non-residential real property that serves as the District's headquarters.

25 **5.4 The 928(b) Order.**

26 On January 11, 2017, the Bankruptcy Court entered the 928(b) Order. Pursuant to the
27 928(b) Order, the District has been permitted to use Parcel Tax Revenues pledged by the District
28 to the Trustee for the repayment of the COPs in order to fund its operations during this Chapter 9

1 case. The 928(b) Order requires that the District operate within a monthly budget and that the
2 Trustee disburse funds to the District bi-monthly in accordance with the budget. The District
3 funded its operations pursuant to funds disbursed to it under the 928(b) Order until May 31, 2017.
4 Pursuant to the 928(b) Order, the Trustee advanced \$1,648,716.89 in Parcel Tax Revenues to the
5 District.

6 **5.5 Professional Fees Incurred.**

7 The following professionals have represented the District in connection with the Chapter 9
8 Case:

9 **5.5.1 Archer Norris**

10 The District engaged Archer Norris as general counsel in 1985 and the firm has continued
11 in this role during the Chapter 9 Case. The firm has a written fee agreement with the District
12 effective as of August 1, 2004. Total fees and expenses incurred and paid to the date of this First
13 Amended Disclosure Statement are \$111,865.41. The firm expects to incur an additional \$72,000
14 prior to the Effective Date.

15 **5.5.2 Dentons**

16 The District engaged Dentons US LLP as reorganization counsel in September 2016 and
17 paid the firm a retainer of \$200,000 as an advance against fees and costs to be incurred in the
18 Chapter 9 Case and supplemented the retainer by a payment of \$100,000 in October 2016. Total
19 fees and expenses incurred and paid to the date of this First Amended Disclosure Statement,
20 inclusive of the retainer, are approximately \$773,358.40. Dentons expects to incur approximately
21 an additional \$350,000.00 prior to the Effective Date.

22 **5.5.3 Optimum Financial**

23 The District engaged Optimum Financial as its financial advisor in April 2011. Optimum
24 Financial has continued in that role during the Chapter 9 Case. Total fees and expenses incurred
25 and paid to Optimum the date of this First Amended Disclosure Statement are \$72,567.91.
26 Optimum expects to incur an additional \$50,000.00 prior to the Effective Date.

27 **5.6 Verizon.**

28 Verizon filed a Notice of Election to Retain Rights pursuant to Bankruptcy Code § 365(h)

1 with a supporting declaration [Docket 99] and an Objection and supporting declaration to the
2 Disclosure Statement [Docket 114]. Crown Castle filed a Joinder to the Verizon objection
3 [Docket No. 117].

4 **5.7 Committee of Unsecured Creditors.**

5 On March 21, 2017 a Notice of Appointment of Creditors' Committee was filed with U.S.
6 Bankruptcy Court [Docket 100]. On May 17, 2017 an Amended Appointment of the Official
7 Committee of Unsecured Creditors was filed with the U.S. Bankruptcy Court [Docket No. 104].

8 **5.8 Other Objections to the Disclosure Statement.**

9 The Trustee and AMBAC have filed objections to the Disclosure Statement [Docket Nos.
10 118 and 121]. Stationary Engineer Local 39 Trust Fund has also filed an objection to the
11 Disclosure Statement [Docket 123].

12 **ARTICLE VI.**

13 **PLAN FOR THE ADJUSTMENT OF DEBT**

14 **6.1 Overview of the Plan.**

15 **The discussion of the Plan set forth below is qualified in its entirety by reference to**
16 **the more detailed provisions set forth in the Plan, the terms of which are controlling.**
17 **Holders of Claims and other interested parties are urged to read the Plan, a copy of which is**
18 **attached to this First Amended Disclosure Statement, in its entirety so that they may make**
19 **an informed judgment regarding the Plan.**

20 The Plan is the product of negotiations among the District, the County, and other parties in
21 interest but not the Trustee, AMBAC or the COPs Holders. Pursuant to the Plan, the Hospital
22 will be sold free and clear of all liens, claims, and encumbrances to LRC for \$13 million. The
23 District will be reorganized into the Reorganized District on the Effective Date. Because the
24 Reorganized District is receiving a discharge (as described below), none of the former liabilities
25 of the District other than payment obligations of the Reorganized District under the Plan shall
26 become liabilities of the Reorganized District.

1 Upon the Effective Date of the Plan, the Reorganized District will focus its revenues on
2 the repayment of creditors pursuant to the Plan and, to the extent of available cash, the
3 resumption of healthcare services to the citizens of the District and County.

4 As described in more detail below, the Plan provides for the full repayment of the COPs
5 Holders, that the Reorganized District shall assume and honor all obligations of the District under
6 the Successor Pension Plan, and that all other Allowed Claims against the District shall be paid as
7 set forth herein. The Plan also provides for a governance change of the Reorganized District.

8 **6.2 Sources of Creditor Payments Under the Plan.**

9 There are five primary sources of creditor payments under the Plan: (1) the Hospital Sale
10 Proceeds and other cash on hand as of the Effective Date; (2) the Excess Parcel Tax Proceeds;
11 (3) the Parcel Tax Reserve; (4) the *Ad Valorem* Revenues; and (5) the Parcel Tax Revenues.

12 **6.2.1 Hospital Sale Proceeds and Other Cash on Hand as of the Effective Date.**

13 As set forth in Section 6.4.2 of this First Amended Disclosure Statement, pursuant to the
14 Plan the District shall sell the Hospital free and clear of all liens, claim, and encumbrances to
15 LRC for a sale price \$13 million. As required by the 928(b) Order, the District will use
16 \$1,648,716.89 of the net sale proceeds to repay the Trustee sums disbursed by the Trustee to the
17 District under the 928(b) Order, leaving \$11,362,491 in remaining sale proceeds, less closing
18 costs, property taxes, and expenses. In addition, in May 2017, the District received \$1 million in
19 Ad Valorem Revenue.

20 The Hospital sale proceeds, the Parcel Tax Reserve and the \$1 million in in *Ad Valorem*
21 Revenues received by the District, less the operating expenses of the District through the
22 Effective Date, constitute a primary source of payment to creditors under the Plan.

23 **6.2.2 The Excess Parcel Tax Proceeds.**

24 While the precise amount fluctuates from year to year, the District receives approximately
25 \$5.6 million in Parcel Tax Revenues annually. Approximately \$4.3 million of this amount is
26 needed by the District to make semi-annual payments of principal and interest to the COPs
27 Holders, and, under the Plan, the Reorganized District will continue to use approximately \$4.3
28 million of its annual Parcel Tax Revenues to make the payments to the COPs Holders set forth in

1 the COPs Amortization Table.

2 The approximately \$1.3 million in Parcel Tax Revenues received by the District each year
3 and not needed to make payments of principal and interest to the COPs Holders constitutes the
4 Excess Parcel Tax Proceeds. Under the Plan, the Excess Parcel Tax Proceeds shall be available
5 to the District each year in order to fund payments to creditors. As of the Effective Date, the
6 Trustee will be holding approximately \$4 million in Excess Parcel Tax Proceeds of the District.
7 Under the Plan, the Trustee will be required to return these Excess Parcel Tax Proceeds to the
8 Reorganized District so that such funds can be used to fund payments under the Plan.

9 **6.2.3 The Parcel Tax Reserve.**

10 Under the COPs Documents as currently written, the Trustee is entitled to reserve, and the
11 District is required to provide to the Trustee, one year's worth of future payments of principal and
12 interest owed to the COPs Holders. This one year reserve is referred to as the Parcel Tax
13 Reserve. As of the Effective Date, the Trustee will be holding approximately a \$4 million in
14 Parcel Tax Reserve. The Parcel Tax Reserve will be eliminated under the Plan and the COPs
15 Documents will be modified to so provide. Pursuant to the Plan the Trustee shall be required to
16 return to the Reorganized District the approximately \$4 million in Parcel Tax Reserves on hand as
17 of the Effective Date. This amount will serve as an additional source of payment to creditors.
18 The Trustee and AMBAC maintain that there is no express Parcel Tax Reserve under the COPs
19 Documents, the Parcel Tax Reserve is not a defined term in the COPs Documents, and the
20 Trustee is holding funds that it is permitted to hold under the COPs Documents.

21 **6.2.4 The Ad Valorem Revenues**

22 While the precise amount fluctuates from year to year, the District receives approximately
23 \$3.7 million in *Ad Valorem* Revenues annually. Under the Tax Sharing Agreements between the
24 District and the County, the District keeps \$1 million in *Ad Valorem* Revenues each year and the
25 remainder is retained by the County. The \$1 million in *Ad Valorem* Revenues retained by the
26 District each year serves as an additional source of revenues to fund payments under the Plan.

1 Additionally, in approximately 2024,¹ the District will have paid to the County all sums due under
2 the Tax Sharing Agreements and will become entitled to retain all of its *Ad Valorem* Revenues
3 rather than being limited to \$1 million per year.

4 **6.3 Specification and Treatment of Claims and Interests.**

5 The treatment of Claims described below applies only to Allowed Claims. Claims that are
6 asserted but are subject to a pending objection, to an estimation order of the Bankruptcy Court, or
7 to a requirement of Bankruptcy Court review or approval will be paid only after they become
8 Allowed Claims. Distributions will only be made when a Claim becomes an Allowed Claim.

9 **6.3.1 Non-Classified Claims.**

10 Section 1123(a)(1) of the Bankruptcy Code provides that certain Claims shall not be
11 classified under the Plan. Non-Classified Allowed Claims include those for professional fees and
12 Claims for goods or services that were delivered or provided after the Petition Date. Non-
13 Classified Claims will be paid by the Reorganized District on the later of: (a) sixty (60) days after
14 the Effective Date; (b) the date such Claims become Allowed Claims; (c) the date when such
15 Claims are due in the ordinary course of the business of the Reorganized District; or (d) at such
16 time and in such amounts as the Reorganized District and the holders of such Allowed Claims
17 shall agree. Non-Classified Claims shall include Claims of governmental units for taxes or
18 duties. The District has no unpaid tax claims (although such claims, if any, would be paid by the
19 Reorganized District as Non-Classified Claims).

20 **6.3.2 Classified Claims.**

21 The Plan divides Claims of creditors into classes. The classes, and their treatment, are as
22 described below:

23 **6.3.3 Class 1 (Secured Claims of the COPs Holders).**

24 The Claims of the COPs Holders are paid from the District's Parcel Tax Revenues. The

25 ¹ Because the *Ad Valorem* Revenues vary from year to year, it is impossible to calculate with
26 certainty when the District will satisfy its obligations to the County under the Tax Sharing
27 Agreements and become entitled to retain all of the *Ad Valorem* Revenues. The Plan Financial
28 Projections project that the District will complete its payments under the Tax Sharing Agreements
in 2024.

1 Trustee makes payments to the holders of the Certificates of Participation in accordance with the
2 terms of the COPS Documents. Under the Plan, the secured claims of the COPS Holders shall be
3 paid in full with interest from the Parcel Tax Revenues. Payments of principal and interest shall
4 be made to the COPS Holders pursuant to the COPS Documents, and the Plan shall not modify the
5 applicable interest rates or maturity dates under the COPS Documents, except as set forth herein.
6 As set forth more fully in the Plan, the COPS Documents shall be modified to provide that: (1) all
7 existing defaults of the District under the COPS Documents shall be deemed waived upon
8 confirmation of the Plan; (2) the Trustee shall no longer be permitted to retain the Excess Parcel
9 Tax Proceeds or the Parcel Tax Reserve, and all funds held by the Trustee as of the Effective Date
10 that constitute Excess Parcel Tax Proceeds or the Parcel Tax Reserve shall be returned by the
11 Trustee to the Reorganized District within seven days of the Effective Date of the Plan; (3) any
12 mandatory prepayment rights of the COPS Holders under the COPS Documents or any other
13 provision of the COPS Documents that would cause payments by the Reorganized District to the
14 Trustee to be inconsistent in any way with the COPS Amortization Table shall be extinguished;
15 and (4) the Default Provisions of the COPS Documents shall be modified to provide that only the
16 District's failure to make the payments set forth in the COPS Amortization Table, after notice and
17 a cure period, shall constitute a default under the COPS Documents. The Trustee and COPS
18 Holders shall retain their lien on the Parcel Tax Revenues in order to secure the Reorganized
19 District's payment obligations under the Plan.

20 **6.3.4 Class 2 (Unsecured Claim and Contractual Rights of the County Under the**
21 **Tax Sharing Agreements).**

22 Class 2 consists of the unsecured claim of the County in the amount of \$436,265.01 and
23 the County's rights under the Tax Sharing Agreements. Pursuant to the Plan, the County shall
24 receive one distribution in the amount of \$218,132.50 on account of its Allowed Unsecured
25 Claim within twenty-four (24) months of the Effective Date. Pursuant to the Tax Sharing
26 Agreements, the District assigned to the County certain of the District's right to receive certain of
27 its *Ad Valorem* Revenues in exchange for financial and other support provided to the District by
28 the County. The County's rights under the Tax Sharing Agreements will not be altered by the

1 Plan. The District will continue to receive \$1 million in *Ad Valorem* Revenues retained by the
2 District each year until approximately 2024, at which time the District will have paid to the
3 County all sums due under the Tax Sharing Agreements and will become entitled to retain all of
4 its *Ad Valorem* Revenues going forward.

5 **6.3.5 Class 3 (WCCHD Successor Pension Plan Claims).**

6 Class 3 consists of the claims of all beneficiaries of the WCCHD Successor Pension Plan.
7 There are approximately 219 beneficiaries of the WCCHD Successor Pension Plan. All such
8 claims shall be Allowed Claims under the Plan. On the Effective Date, the Reorganized District
9 shall assume all rights and responsibilities of the District under the WCCHD Successor Pension
10 Plan. The WCCHD Successor Pension Plan Trust shall continue to be administered by Matrix,
11 who shall act as disbursement agent for all payments to be made to beneficiaries under the Plan.
12 Within thirty (30) days of the Effective Date, the Reorganized District shall transfer \$4 million to
13 Matrix in order to fund the WCCHD Successor Pension Plan. Thereafter, the District shall
14 transfer \$1 million to Matrix each year until the WCCHD Successor Pension Plan is fully funded.
15 Notwithstanding the foregoing, nothing contained herein is intended to modify, alter, amend, or
16 otherwise change the terms of the trust agreement entered into by WCCHD and PW Trust
17 Company (to which Matrix is an assignee) and the obligations of the parties thereunder, nor is it
18 intended to impose any additional obligations or liabilities on the part of Matrix, whether to the
19 District, the Reorganized District and any or all beneficiaries/retirees of the WCCHD Successor
20 Pension Plan.

21 **6.3.6 Class 4 (CNA Claim).**

22 Class 4 consists of the CNA Claim. The CNA Claim shall be paid \$2,500,000 over nine
23 years without interest in equal, annual payments of \$250,000 in years 1 through 7 and \$375,000
24 in years 8 and 9. Additionally, the \$212,292.13 in funds currently held by MidAmerica shall be
25 available to pay the CNA Claim. MidAmerica, or another administrator selected by CNA, shall
26 serve as the disbursing agent for all payments to be made to the nurses who are the beneficiaries
27 of the CNA Claim. There are approximately 300 beneficiaries of the CNA Claim.

28 **6.3.7 Class 5 (General Unsecured Creditors).**

1 Class 5 consists of all holders of Allowed Unsecured Claims other than claims held by the
2 County, Local 39, EDD, CNA Claimants, and holders of WCCHD Successor Pension Claims.
3 The holders of Allowed Claims in Class 5 will receive their *pro rata* share of \$6 million over
4 three (3) years after the Effective Date of the Plan. The Plan enables the District to file objections
5 to claims at any time within 180 days after the Effective Date. To the extent a Class 5 Claim is
6 not an Allowed Claim on the date that is 180 days after the Effective Date, such claim will
7 receive its *pro rata* share of the \$6 million paid to Class 5 Claims at the time and to the extent
8 such claim becomes an Allowed Claim. Until the total allowed amount of all Class 5 Claims is
9 determined, the Reorganized District may delay payment or make adequate reserves prior to
10 payment of any Allowed Class 5 Claims. Class 5 consists primarily of trade creditors and
11 workers compensation claimants. The aggregate claimed liability of Class 5 creditors, before
12 objections, is approximately \$10,500,000. The District projects that if the Plan was confirmed as
13 is Allowed Holders of Class 5 claims would receive a 57% recovery or potentially greater if the
14 Allowed Class 5 Claims were less than \$10.5 million or potentially less if the Allowed Class 5
15 Claims were greater than \$10.5 million.

16 **6.3.8 Class 6 (EDD Claim).**

17 Class 6 consists of the claim of EDD, filed by EDD as a priority and unsecured claim in
18 the amount of \$1,664,785.23 [Claim No. 314]. The EDD Claim includes penalties and interest of
19 \$341,089.13. The Reorganized District shall pay the EDD Claim, less the penalties and interest,
20 over a two (2) year period following the Effective Date in two (2) equal installments of
21 \$661,848.05, which payments shall be in full satisfaction of the EDD Claim.

22 **6.3.9 Class 7 (Local 39 Claim).**

23 The Local 39 Pension Claim shall be paid in full over ten (10) years in annual installments
24 of \$31,480.99. The Local 39 Health Claim shall be paid at a 50% discount over nine (9) years in
25 annual installments of \$8,214.98. The liquidated damages and interest asserted in the Local 39
26 Claim is not proposed to be paid.

27 **6.4 Means for Implementation of the Plan.**

28 **6.4.1 Plan Financial Projections**

1 Attached to this First Amended Disclosure Statement as “**Exhibit B**” are the Plan
2 Financial Projections. The Plan Financial Projections set forth the projected income and expenses
3 of the Reorganized District from the Effective Date until December 31, 2027.

4 **6.4.2 Sale of the Hospital**

5 On November 3, 2016, at a duly noticed public hearing in compliance with the Brown Act
6 and applicable regulations, the West Contra Costa Healthcare District Board of Directors adopted
7 its Resolution No. 2016-09 authorizing negotiation and execution of a purchase and sale
8 agreement with LRC conforming to the terms of a negotiated letter of interest, to sell the closed
9 and vacant Hospital property. The Board’s resolution included findings that the purchase price of
10 \$13,000,000 was arrived at through arms’ length negotiations and represented fair value. In
11 making these determinations the Board considered competing lower offers and their terms of sale,
12 prior estimates of value when the Hospital was a functioning hospital, and consultation with the
13 District’s realtor.

14 The sale does not require a public election because the Hospital will be used by LRC for
15 parking, and an election is only required if property is being sold to a corporation for the purpose
16 of offering medical-related services which the District could provide. Further, the sale of the
17 Hospital does not need to be approved by the Attorney General for the State of California because
18 the District is a public entity not a corporation.

19 On June 7, 2017, at a duly noticed public hearing in compliance with the Brown Act and
20 applicable regulations, the District's Board of Directors considered and then authorized the filing
21 of the District’s Plan and the Disclosure Statement for the Plan which proposes the sale of the
22 Hospital.

23 On July 19, 2017, at a duly noticed public hearing in compliance with the Brown Act and
24 applicable regulations the District's Board of Directors considered and then authorized the filing
25 of the District's First Amended Disclosure Statement and First Amended Plan of Adjustment
26 which proposes sale of the Hospital.

27 The Hospital is being sold pursuant to, among other laws and regulations, federal
28 bankruptcy law and Calif. H&S Code Sections 32121(c) and 32121.2.

1 The District has had detailed discussions and meetings with the County and LAFCO and
2 believe that they both support a sale of the Hospital and generally support the Plan. The District
3 has been advised by the County and LAFCO that, subject to board approval of their respective
4 boards, the County and LAFCO support the Plan and the special legislation governance option
5 discussed in the Plan. The Trustee and AMBAC note that as a political subdivision of the State of
6 California, known generally as a California special district, the District is subject to governmental
7 regulations authorized by State law. Reorganization of special districts is controlled by the
8 Coretese-Knox-Hertzberg Government Reorganization Act of 2000. Reorganization proceedings
9 are conducted by LAFCO which has responsibility for determining a successor agency and
10 formulating its assumption of assets and obligations.

11 The purpose and goal of the Plan, in addition to repaying debt, is to resume as soon as
12 possible providing healthcare services to the citizens of the District and County although no
13 specific healthcare plan has been developed at this time. The Trustee and AMBAC note that
14 should the District offer new healthcare services, there is some risk that the costs of the services
15 could exceed the Debtor's ability to pay for both the new services and the Debtor's obligations
16 under the Plan. In that event the District might need to restructure under the bankruptcy code or
17 in connection with proceedings conducted by LAFCO. The District does not believe, if the Plan
18 is confirmed, that there will be any issue in meeting its obligations under the Plan and providing
19 future healthcare services.

20 The Hospital is a significant drain on the extremely limited resources of the District. The
21 Hospital is closed and generates no revenue, yet the District must maintain and care for the
22 Hospital. The District has deemed it appropriate to sell the Hospital in order to relieve the
23 District of this cash-draining resource and generate revenues to be used to make distributions to
24 creditors pursuant to the Plan. To that end, the District has entered into a contract with LRC to
25 sell the Hospital to LRC for \$13 million. LRC owns a casino adjacent to the Hospital and plans
26 to demolish the Hospital to provide additional parking for the casino. LRC will not close on the
27 sale of the Hospital, however, unless the sale is free and clear of the rights, if any, of the Cellular
28 Rights parties, as described below.

1 More than a decade prior to the Petition Date, Tenet Healthcare Corporation, who
2 operated the Hospital as a lessee of the District at the time, entered into a lease with Verizon and
3 the District entered into a lease with AT&T. These leases allowed Verizon and AT&T to place
4 Cell Boxes on the roof of the Hospital. The Cell Boxes remain on the roof of the Hospital.
5 Because LRC desires to demolish the Hospital, however, the Cell Boxes must be removed in
6 order for the Hospital to be sold.

7 In 2005, the District sold all rights in both the Verizon Lease and AT&T Lease to Crown
8 Castle and granted Crown Castle the Crown Castle Successor Lease and related easements needed
9 to provide electrical and other service to the Cell Boxes. Since that time, Crown Castle has
10 served as landlord to Verizon and AT&T and has collected all rents paid by these parties. The
11 original sublease with Verizon and the original lease with AT&T have now expired, and these
12 parties occupy the Hospital roof as subtenants of Crown Castle because Crown Castle has the
13 right to occupy the roof of the Hospital until 2020 under the Crown Castle Successor Lease.

14 Under the Plan, the District will reject the Crown Castle Successor Lease pursuant to
15 Section 365(a) of the Bankruptcy Code to the extent it is deemed to be executory. While the
16 District does not believe it is a party to any executory contract or unexpired lease with either of
17 Verizon or AT&T, the District will reject pursuant to Section 365(a) of the Bankruptcy Code any
18 such executory contracts or unexpired leases to the extent they are deemed to exist.

19 Pursuant to the Plan, the Hospital will be sold to LRC free and clear of liens, claims, and
20 encumbrances, including any liens, claims, or encumbrances of the Cellular Rights Parties, for
21 \$13 million pursuant to among other provisions, Sections 1123(a)(5)(B) and (D), 1123(b)(4) and
22 (6) and 105 of the Bankruptcy Code. This sale will remove a cash draining burden on the
23 District's revenues and generate significant creditor recoveries to be distributed under the Plan.

24 **6.4.3 Distributions**

25 The District may retain one or more agents to perform or assist it in performing the
26 distributions to be made pursuant to the Plan, which agents may serve without bond. The District
27 may provide reasonable compensation to any such agent(s) without further notice or Court
28 approval. All distributions to any holder of an Allowed Claim shall be made at the address of

1 such holder as set forth in the books and records of the District or its agents, unless the District
2 has been notified by such holder in a writing that contains an address for such holder different
3 from the address reflected in its books and records. All distributions to the COPs Holders shall be
4 made through the Trustee in accordance with the COPs Documents, as modified by the Plan. All
5 distributions to holders of WCCHD Successor Pension Plan Claims shall be made through
6 Matrix, who shall serve as disbursing agent for such claimants under the Plan. All distributions to
7 holders of the CNA Claim shall be made through Mid America, or such other agent selected by
8 CNA, who shall serve as disbursing agent for such claimants under the Plan

9 **6.4.4 Disputed Claims**

10 The District will have the right to object to the allowance of claims filed with the
11 Bankruptcy Court with respect to which liability or allowance is disputed in whole or in part.
12 Unless otherwise ordered by the Bankruptcy Court, the District must file and serve any such
13 objections to claims by not later than one hundred and eighty (180) days after the Effective Date.

14 At such time as a disputed claim becomes an Allowed Claim, in whole or in part, the
15 District or its agent will distribute to the holder thereof the distributions, if any, to which such
16 holder is then entitled under the Plan. Such distributions, if any, will be made as soon as
17 practicable after the date that the order or judgment of the Bankruptcy Court allowing such
18 disputed claim becomes a Final Order. Unless otherwise specifically provided in the Plan or
19 allowed by order of the Bankruptcy Court, no interest will be paid on disputed claims that later
20 become Allowed Claims.

21 **6.4.5 Unclaimed Property**

22 Any holder of an Allowed Claim that fails to claim a Distribution within sixty (60) days of
23 the Distribution will be deemed to have waived its rights to such Distribution and to any other
24 future Distributions under the Plan. In the event that any Distributions from an interim
25 Distribution become Unclaimed Property, all such Unclaimed Property shall be returned to the
26 appropriate fund for distribution to creditors or, if such balance reverts to the Reorganized
27 District, to the Reorganized District. In the event that any Distributions from the Final
28

1 Distribution become Unclaimed Property, all such Unclaimed Property shall be returned to the
2 Reorganized District.

3 **6.5 Continuing Jurisdiction of the Bankruptcy Court.**

4 The Plan provides for the Bankruptcy Court to retain jurisdiction over a broad range of
5 matters relating to the Chapter 9 case, the Plan, and other related items. Readers are encouraged
6 to review the Plan carefully to ascertain the nature of the Bankruptcy Court's continuing, post-
7 confirmation jurisdiction.

8 **6.6 Discharge of the District & Creation of the Reorganized District.**

9 Upon Confirmation of the Plan, and with the exception of the Reorganized District's
10 payment obligations to creditors under the Plan, the District shall be discharged and released from
11 any and all Claims held by any party regardless of whether the holder of a particular claim filed a
12 proof of claim, whether the claim is allowed by the Bankruptcy Court, or whether the holder of
13 the Claim voted to accept the Plan. Upon the Effective Date, the District, as discharged as set
14 forth herein, shall be reorganized into the Reorganized District. The Reorganized District shall
15 assume and honor the payment obligations to creditors under the Plan.

16 **6.6.1 Future and Management of the Reorganized District.**

17 The District is currently governed by an elected Board of Directors. Upon the Effective
18 Date, the Reorganized District shall remain a separate and distinct legal entity and shall continue
19 to be governed by its Board of Directors.

20 After the Effective Date, the Reorganized District will work with the County to sponsor
21 special legislation that will replace District board elections and an elected board with a governing
22 body appointed by the County Board of Supervisors. This change in governance would also
23 accommodate a change in management of the Reorganized District from independently employed
24 staff to an arrangement with the County such that existing County Health Services administrative
25 staff and resources could cover the administrative needs of the Reorganized District.

26 There is a risk (although the District believes it is very small) that the proposed special
27 legislation necessary to implement the governance option will not be adopted and the governance
28 option contemplated by the Plan may not be fully implemented leaving the Reorganized District

1 with the continuing obligation and related costs of reimbursing the County for the costs of
2 conducting board member elections.

3 Following the Effective Date, the Reorganized District will focus its operations on making
4 the payments to creditors envisaged by the Plan and providing healthcare services to the residents
5 of the District and County to the extent of available funds. The nature, timing and projected costs
6 of resuming the delivery of healthcare services has not yet been studied or determined. The
7 Reorganized District, however, does not intend on embarking on any provision of healthcare
8 services which would impact its ability to first satisfy its obligations set forth in the Plan.

9 Beginning in 2024, the District projects that the Reorganized District will have completed
10 making the payments to the County required by the Tax Sharing Agreements. At that point,
11 based on the Plan Financial Projections, the Reorganized District's net revenues will increase by
12 roughly \$2.8 million annually.

13 **6.6.2 Postconfirmation Administration and Retention of Professionals.**

14 All fees and costs incurred by professionals on or after the Effective Date in connection
15 with the implementation of the Plan, the making of Distributions under the Plan, the
16 determination of Claims, the enforcement of the obligations and rights of the Reorganized District
17 under the Plan, and appeals, if any, shall be paid in full by the Reorganized District.

18 **6.6.3 Treatment of Executory Contracts and Unexpired Leases.**

19 The Plan provides for the assumption of only those executory contracts and unexpired
20 leases: (1) to which the District was a party on the Petition Date and that are (a) listed on Exhibit
21 A to the Plan, as it may be amended prior to Confirmation, or (b) assumed by the District prior to
22 the Effective Date; or (2) that have been entered into during the pendency of the Chapter 9 Case.
23 All other executory contracts and unexpired leases shall be rejected effective as of the Effective
24 Date, unless rejected by prior order of the Bankruptcy Court. Claims for damages resulting from
25 the rejection of executory contracts and unexpired leases must be filed with the Bankruptcy Court
26 within thirty (30) days after such Effective Date unless the holder has previously filed such proof
27 of Claim and will be treated as Class 5 claims under the Plan. As stated in Section 6.4.2 of this
28 First Amended Disclosure Statement above, the Plan provides for the rejection pursuant to section

1 365(a) of the Bankruptcy Code of the Crown Castle Successor Lease to the extent it is deemed to
2 be an executory contract. While the District does not believe it is a party to any executory
3 contract or unexpired lease with any of the other Cellular Rights Parties, to the extent such an
4 executory contract or unexpired lease is deemed to exist, the Plan provides for rejection of all
5 such contracts.

6 **6.6.4 Reservation of Rights by the Cellular Rights Parties.**

7 The Cellular Rights Parties maintain they are working in good faith with LRC and the
8 District to resolve the issues related to the Cellular Rights. Nevertheless, the Cellular Rights
9 Parties dispute the District's characterization of their lease relationship with the District and the
10 District's ability to sell free and clear of the Cellular Rights Parties' interests, if any, in the
11 Hospital, whether by rejection or otherwise. If the parties are unable to resolve the issues
12 themselves, the Cellular Rights Parties intend to object to confirmation of the Plan, and the
13 District intends to seek confirmation of the Plan over the Cellular Rights Parties' objections.

14 **6.6.5 Reservation of Rights by the Trustee and AMBAC.**

15 In its objections to the Disclosure Statement, the Trustee and AMBAC have asserted that
16 the Plan is not confirmable with respect to the proposed treatment of Class 1 COPs Holders.
17 AMBAC disputes that: (i) the Plan is confirmable; and (ii) the sale of the Hospital has been
18 properly authorized in accordance with state law. AMBAC reserves all rights to object to
19 confirmation of the Plan and maintains that the Plan is not in compliance with the 2004 COPs
20 documents. The District intends on working in good faith with the Trustee and AMBAC to
21 resolve the objections of the Trustee and AMBAC. If the parties are unable to resolve the issues,
22 the Trustee and AMBAC intend to object to confirmation of the Plan and the District intends on
23 seeking confirmation of the Plan over their objections.

24 **ARTICLE VII.**

25 **PLAN FEASIBILITY**

26 The District submits that the Plan is feasible in accordance with section 943(b)(7) of the
27 Bankruptcy Code based upon the Plan Financial Projections attached to this First Amended
28 Disclosure Statement as "**Exhibit B**". The Plan Financial Projections set forth the projected

1 income and expenses of the Reorganized District each year from the Effective Date until
2 December 31, 2027. Based on the Plan Financial Projections, the Reorganized District will have
3 sufficient funds to make all payments contemplated by the Plan. The Trustee has raised certain
4 questions about the Plan Financial Projections which are answered below.

5 The Teeter Plan, first enacted in 1949, is in effect in the County. The Teeter Plan was
6 developed decades ago by Desmond Teeter the then Auditor of the County. Under the Teeter
7 Plan the District receives the Parcel Tax Revenues and Ad Valorem Revenues based on the taxes
8 billed not collected. As a result, the County bears the risk of non-payment of the taxes not the
9 District. In exchange for taking on this risk, the County receives the penalties and interest on
10 delinquent taxes when collected. Virtually, all counties in California have adopted some form of
11 the Teeter Plan. If the County chose not to participate in the Teeter Plan, which the District does
12 not anticipate, that might impact the amount or timing of receipt by the District of the Parcel Tax
13 Revenues and Ad Valorem Revenues and would make the actual collection of the Parcel Tax
14 Revenues and Ad Valorem Tax Revenues dependent on the payment of taxes by the taxpayers.

15 The Projections assume that the sale of the Hospital occurs in 2017.

16 To the extent of available cash the Reorganized District intends on exploring resuming
17 providing healthcare services in some manner to be determined in the future to the residents of
18 the District.

19 The June 30, 2017 potential termination option under the contract between the District and
20 LRC to sell the Hospital has not been extended, however, neither the District nor LRC has sought
21 to terminate the contract so it remains in full force and effect.

22 The approximate amount of \$8 million set forth on the Projections in 2018 that the Trustee
23 will be holding on the Effective Date is the sum of the Excess Parcel Tax Proceeds and the Parcel
24 Tax Reserve.

25 The beginning cash balance on the projections attached to the First Amended Disclosure
26 Statement is \$10,266,323. This is lower than the original beginning cash balance on the
27 projections attached to the original Disclosure Statement. The amount is lower because of,
28 among other things, increased pension related expenses, cost of destruction of patient records,

1 potential cost of creditor committee counsel, and reconciling actual cash to projected cash.

2 Based on its current governance the District must reimburse the County for conducting
3 elections every 2 years in the amount of \$450,000 per election for the selection of its Board
4 members. Should the governance of the District change as outlined in the Plan then there will be
5 no need to hold or pay for future elections.

6 On the Effective Date, the projections assume that the Trustee will turn over all Excess
7 Parcel Tax Proceeds and the Parcel Tax Reserves and, at that point in time, the Trustee would be
8 holding zero funds. Thereafter, the Trustee can never hold more Parcel Tax Revenues than is
9 necessary to make the next scheduled payment to the COPs Holders as provided for in the COPs
10 Amortization Table. The current COPs documents provide that the Trustee is entitled to retain
11 sufficient Parcel Tax Revenues to pay the next year's payments of principal and interest (two (2)
12 semiannual payments). The Plan proposes, following the Effective Date, to reduce the amount of
13 Parcel Tax Revenues that the Trustee can hold at any one time to one (1) semiannual payment of
14 principal and interest. Depending upon when the Effective Date occurs and when the payment is
15 due, the Trustee may or may not have sufficient funds to make the next semiannual payment of
16 principal and interest, in which case the District will make the payment to the Trustee from cash
17 on hand.

18 The District proposes to: (i) accumulate, net of proposed expenses, at the end of each year
19 between 2018 and 2027 no less than \$7,550,298, and a total of \$19,223,738 by 2027 which will
20 be utilized to provide healthcare services to residents of the District and County; and (ii) at all
21 times after the Effective Date leave the Trustee with no funds in reserve.

22 Following the Effective Date, the County is entitled to retain approximately \$16,774,149
23 of the Ad Valorem Revenues received in years 2018 through 2024 pursuant to certain tax sharing
24 agreements between the District and the County. The amount of Ad Valorem Revenues that the
25 County is entitled to retain is not a debt of the District and is estimated to terminate in 2024. See
26 Proof of Claim filed by the County [Claim No. 170-1].

27 The annual Excess Parcel Tax Proceeds are approximately \$1.3 million per annum. To
28 the extent that the Trustee was not directed to remit the Excess Parcel Tax Proceeds to the District

1 then the Total Cash Available to the District would be approximately \$1.3 million less each year.

2 The District believes that the amounts set forth on the Projections to be paid to Class 1
3 satisfy the District's obligations under the Bankruptcy Code. The amounts set forth on the
4 Projections to be paid to Class 2 were discussed and agreed to with the County. The amounts set
5 forth on the Projections to be paid to Class 3 were determined by the District to be fair and
6 appropriate. The amounts set forth on the Projections to be paid to Class 4 were discussed and
7 agreed to with CNA. The amounts set forth on the projections to be paid to Class 5 were
8 discussed with members of the Committee and was determined by the District to be fair and
9 appropriate. The amounts set forth on the projections to be paid to Class 6 were discussed with
10 EDD and were determined by the District to be fair and appropriate. The amounts set forth on the
11 projections to be paid to Class 7 were determined by the District, to be fair and appropriate.

12 **ARTICLE VIII.**

13 **BEST INTERESTS OF CREDITORS ANALYSIS**

14 As a condition to Confirmation of the Plan, the Bankruptcy Court must find that the Plan
15 meets certain requirements applicable to bankruptcy reorganizations under Chapter 11 of the
16 Bankruptcy Code and additional requirements particular to municipal debtors in Chapter 9 cases.
17 For example, section 943(b)(6) of the Bankruptcy Code requires the debtor to have obtained any
18 necessary regulatory or electoral approval. The District believes that the Plan meets all applicable
19 regulatory requirements and that the Plan does not require the approval of the District's voters. In
20 addition, the Plan must be in the best interests of creditors, pursuant to section 943(b)(7) of the
21 Bankruptcy Code. The District believes that the Plan meets this requirement for the reasons set
22 forth below.

23 The Plan provides for the maximum recovery possible for the District's creditors.
24 Pursuant to the Plan, the COPs Holders will be repaid in full, as will the holders of WCCHD
25 Successor Pension Plan Claims. General Unsecured Creditors, EDD, Local 39, the County and
26 holders of CNA Claim will receive a combined payout of approximately \$27 million, the
27 maximum payout possible under the circumstances.

28 If the Plan is not confirmed, the District may have to dismiss the Chapter 9 Case and there

1 will no longer be a vehicle for the orderly payment of its creditors. Each creditor will be required
2 to sue the District to establish liability for its debt. Even if the lawsuit is successful, no creditor
3 can obtain a judgment lien on the District's assets or force those assets to be sold. Each creditor
4 with a judgment must return to court for an order of mandamus requiring payment. The District
5 contends that this process is costly, will take several years, and will then result in a much smaller
6 recovery over a much longer period of time.

7 For the foregoing reasons the District believes that the Plan is in the best interests of its
8 creditors.

9 **ARTICLE IX.**

10 **CONFIRMATION**

11 **9.1 Record Date.**

12 The Record Date is July 31, 2017 or the effective date of the DTC participant list provided
13 to the District by the Trustee if different than July 31, 2017. The following will be determined as
14 of the Record Date: (a) which holders of Claims will be entitled to receive a ballot and vote to
15 accept or reject the Plan, and (b) whether Claims have been properly assigned or transferred to an
16 assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the holder of the
17 Claim.

18 **9.2 Voting.**

19 In order to confirm the Plan, with regard to each impaired class of creditors, two-thirds in
20 monetary amount and a majority of the number of Claims of creditors that vote on the Plan in
21 such class must vote to accept the Plan. The following are impaired classes of creditors under the
22 Plan: Class 1 (Secured Claims of the COPs Holders); Class 2 (Unsecured Claim and Contractual
23 Rights of the County Under the Tax Sharing Agreements); Class 4 (CNA Claim); Class 5
24 (General Unsecured Creditors); Class 6 (EDD) and Class 7 (Local 39). These are the only
25 creditors that are entitled to vote on the Plan.

26 If any of Classes 1, 2, 4, 5, 6 or 7 fail to vote in favor of the Plan, the District must seek
27 Confirmation of the Plan under section 1129(b) of the Bankruptcy Code. Requirements for
28 Confirmation of the Plan under section 1129(b) are discussed in Article 9.6 below.

1 An acceptance or rejection of the Plan may be voted by completing and signing the Ballot
2 that accompanies the Plan and mailing or delivering it to Dentons US LLP, c/o Gary Marsh, 303
3 Peachtree Street, Suite 5300, Atlanta, GA 30308. All ballots must be actually received by
4 September 18, 2017 at 5:00 p.m., Eastern Standard Time.

5 **BALLOTS RECEIVED THAT ARE SIGNED BUT DO NOT DESIGNATE**
6 **ACCEPTANCE OR REJECTION OF THE PLAN AND UNSIGNED BALLOTS WILL**
7 **NOT BE COUNTED.**

8 **9.3 Confirmation Standards.**

9 For the Plan to be confirmed and to be binding on all creditors and interest holders, the
10 Bankruptcy Court must determine that the applicable requirements of section 1129(a) of the
11 Bankruptcy Code have been satisfied, including that at least one class of Claims that is impaired
12 under the Plan has accepted the Plan.

13 **9.4 Classification of Claims.**

14 The Bankruptcy Code requires that a Plan of reorganization place each claim in a class
15 with other claims that are “substantially similar.” The District believes that the classification
16 system set forth in the Plan meets the Bankruptcy Code standard.

17 **9.5 Modification of the Plan.**

18 The District may modify the Plan at any time prior to issuance of the Confirmation Order.
19 In the event of a modification to the Plan, the District may be required to provide additional
20 disclosure to creditors and other parties in interest with respect to the Plan as modified. Any
21 holder of a Claim that has accepted or rejected the Plan will be deemed to have accepted or
22 rejected, as the case may be, the Plan as modified, unless, within the time fixed by the Bankruptcy
23 Court, such holder changes his or her previous acceptance or rejection.

24 **9.6 Confirmation Without Acceptance by All Impaired Classes.**

25 Section 1129(b) of the Bankruptcy Code enables the District to confirm the Plan without
26 the acceptance of one or more classes of Claims if at least one impaired Class of claims accepts
27 the Plan and the so-called “cramdown” provisions set forth in section 1129(b)(1), (b)(2)(A), and
28 (b)(2)(B) of the Bankruptcy Code are satisfied. The Plan may be confirmed under the cramdown

1 provisions if, in addition to satisfying the other requirements of section 943(b) of the Bankruptcy
2 Code, it (a) is “fair and equitable”, and (b) does not discriminate unfairly with respect to each
3 Class of Claims that is impaired under the Plan.

4 In order to be confirmed over the objection of a class of secured Allowed Claims, the
5 cramdown provisions of the bankruptcy code require that the Plan must provide either: (1) that
6 the holders of such claims will retain their liens on their collateral and receive deferred cash
7 payments with a present value equal to the amount of their secured Allowed Claims; (2) for the
8 sale of the secured creditor’s collateral free and clear of such liens, with liens to attach to the
9 proceeds of the sale; or (3) for the receipt by the holders of such claims of the “indubitable
10 equivalent” of such claims.

11 In order to be confirmed over the objection of a class of unsecured Allowed Claims, the
12 Plan must provide that each holder of an Allowed Claim in the class either receives property of a
13 value, on the Effective Date, equal to the Allowed Claim or that no junior Claim or receive
14 anything. The Bankruptcy Court must also find that no senior class will receive more than 100%
15 on account of its Allowed Claims.

16 In the event that any impaired class fails to accept the Plan by the statutory majorities
17 described above, the District will seek Confirmation under section 1129(b) of the Bankruptcy
18 Code.

19 **9.7 Effect of Confirmation.**

20 If the Plan is confirmed, its terms and conditions will be binding on all creditors. Except
21 as otherwise set forth in the Plan, the Reorganized District will be discharged from all liability for
22 Claims against the District arising prior to the Effective Date, and the discharge will be effective
23 as to each Claim regardless of whether the holder of a particular Claim filed a Proof of Claim,
24 whether the Claim is allowed by the Bankruptcy Court, or whether the holder of the Claim voted
25 to accept the Plan.

26 The Plan provides that all injunctions or stays provided for in the Chapter 9 Case pursuant
27 to sections 105, 362, or 922 of the Bankruptcy, or otherwise, in existence on the Confirmation
28 Date will remain in full force and effect until the Effective Date.

1 THE PLAN INCLUDES A RELEASE AND EXCULPATION PROVISION
2 PROVIDING THAT, UPON THE EFFECTIVE DATE, EACH MEMBER OF THE
3 DISTRICT'S BOARD OF DIRECTORS (INCLUDING NANCY CASAZZA, IRMA
4 ANDERSON, DEBORAH CAMPBELL, WILLIAM VAN DYK, BEVERLY WALLACE,
5 AND ERIC ZELL) AND EACH OFFICER, EMPLOYEE, OR CONSULTANT, OF THE
6 DISTRICT (INCLUDING KATHY D. WHITE, HAROLD EMAHISER, JULIE AHR
7 JOHNSON, BOBBIE ELLERSTON, AND VICKIE SCHARR) SHALL BE FOREVER
8 RELEASED AND DISCHARGED FROM ALL CLAIMS HELD BY ALL ENTITIES
9 WHO HAVE HELD, HOLD, OR MAY HOLD PRE-EFFECTIVE DATE CLAIMS
10 AGAINST THE DISTRICT, WHETHER OR NOT SUCH CLAIM IS AN ALLOWED
11 CLAIM, AND WHETHER OR NOT SUCH HOLDER HAS VOTED TO ACCEPT THE
12 PLAN.

13 THE PLAN ALSO INCLUDES AN INDEMNIFICATION PROVISION IN FAVOR
14 OF THE DESIGNATED RESPONSIBLE INDIVIDUALS.

15 THE PLAN ALSO INCLUDES AN INJUNCTION ENJOINING ALL CREDITORS
16 OF THE DISTRICT, INCLUDING, WITHOUT LIMITATION, THE CELLULAR
17 RIGHTS PARTIES, FROM ASSERTING ANY CLAIM AGAINST LRC RELATING TO
18 THE SALE OF HOSPITAL OR ANY CLAIM AGAINST OR INTEREST IN THE
19 HOSPITAL ARISING PRIOR TO THE EFFECTIVE DATE OF THE PLAN.

20 ARTICLE X.

21 CONCLUSION

22 This First Amended Disclosure Statement has been presented for the purpose of enabling
23 creditors to make an informed judgment to accept or reject the Plan. Creditors are urged to read
24 the Plan in full and consult with their individual advisors if questions arise. The District believes
25 that acceptance of the Plan by creditors is in the best interests of all parties in interest and that
26 Confirmation of the Plan will provide the best recovery for creditors.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: August 3, 2017

WEST CONTRA COSTA HEALTHCARE
DISTRICT

By: /s/ Kathy D. White
Chief Executive Officer and
Designated Responsible Individual

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT A
DEFINITIONS

Unless the context requires otherwise, all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan or the Bankruptcy Code. References to a code section are references to a section of the Bankruptcy Code, except as otherwise stated. The summaries of the Plan and other documents provided in this First Amended Disclosure Statement are qualified in their entirety by reference to the actual terms of the Plan and all documents described therein.

The following definitions apply in this First Amended Disclosure Statement:

“2004 COPs Holders” means the holders of those certain 2004 Certificates of Participation evidencing a direct, undivided, fractional interest of the owners thereof in certain payments to be made by the District in accordance with the COPs Documents.

“2011 COPs Holders” means the holders of those certain 2011 Certificates of Participation evidencing a direct, undivided, fractional interest of the owners thereof in certain payments to be made by the District in accordance with the COPs Documents.

“928(b) Order” means the *Order Pursuant to Bankruptcy Code Section 928(b) Authorizing the Use of Special Revenues to Fund Operations* entered by the Bankruptcy Court on January 11, 2017 [Docket No. 62], as amended by the *Amended Order Pursuant to Bankruptcy Code Section 928(b) Authorizing the Use of Special Revenues to Fund Operations* entered by the Bankruptcy Court on January 13, 2017 [Docket No. 68].

“Ad Valorem Revenues” means all revenues derived by the District from the *ad valorem* property tax revenues collected by the County on behalf of the District.

“Allowed Claim” means a Claim against the District to the extent that:

1. A proof of such Claim was:
 - a. Timely filed; or
 - b. Deemed filed because such Claim was included on the District’s *List of Creditors and Claims Pursuant to 11 U.S.C. §§ 924 and 925* filed on November 11, 2016 unless such claim was listed therein as disputed, unliquidated, or contingent, and

- 1 2. Such Claim is:
- 2 a. Not a Disputed Claim; or
- 3 b. Allowed, and only to the extent allowed, by the Plan, a compromise approved
- 4 pursuant to the Notice Procedure established in Article VI of the Plan, or a Final Order.

5 "AMBAC" means AMBAC Assurance Corporation.

6 "AT&T" means New Cingular Wireless d/b/a AT&T Mobility.

7 "Avoidance Actions" means all causes of actions under sections 506(c), 510, 544, 545,

8 547, 548, 549, 550 and 553 of the Bankruptcy Code, whether or not such actions seek an

9 affirmative recovery or are raised as a defense to or offset against the allowance of a Claim.

10 "Bankruptcy Code" means Title 11 of the United States Code.

11 "Bankruptcy Court" means the United States Bankruptcy Court for the Northern District

12 of California or, in the event such court ceases to exercise jurisdiction over the Chapter 9 Case,

13 such court or adjunct thereof which thereafter exercises jurisdiction over the Chapter 9 Case.

14 "Bar Date" means January 31, 2017, the deadline set by the Bankruptcy Court for filing

15 Proofs of Claims against the District.

16 "Cash" means cash and cash equivalents including, but not limited to, checks and other

17 similar forms of payment or exchange.

18 "Cell Boxes" means all equipment placed on the roof of the Hospital used by Verizon and

19 AT&T for purposes of providing cellular coverage to their customers.

20 "Cellular Rights Parties" means GTE Mobilnet of California Limited Partnership, d/b/a

21 Verizon Wireless, Wireless Capital Partners, LLC, MW Cell REIT 1 LLC, and New Cingular

22 Wireless d/b/a AT&T Mobility.

23 "Chapter 9 Case" means this Chapter 9 Case filed by the District on October 20, 2016.

24 "Claim" means any right to payment, whether or not such right is reduced to judgment,

25 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,

26 equitable, secured, or unsecured; or any right to an equitable remedy for breach of performance, if

27 such breach gives rise to a right to payment, whether or not such right to an equitable remedy is

28

1 reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or
2 unsecured.

3 “CNA” means the California Nurses Association.

4 “CNA Claim” means the claims in the amount of \$5,119,006.00 held by CNA with
5 respect to obligations owed by the District to CNA pursuant to that certain Memorandum of
6 Understanding between the District and the California Nurses Association dated June 14, 2011 as
7 further described in the proof of claim filed by CNA [Claim No. 235].

8 “Committee” means the Official Committee of Unsecured Creditors appointed in the
9 Chapter 9 Case on March 21, 2017, pursuant to section 1102(a) of the Bankruptcy Code, as it
10 may be reconstituted from time to time.

11 “Confirmation” means entry of the Confirmation Order.

12 “Confirmation Hearing” means the hearing to determine whether the Bankruptcy Court
13 will confirm the Plan, scheduled for October 12 and 13, 2017, at 9:30 a.m. Pacific Time in the
14 Courtroom of the Honorable Roger L. Efremsky, Courtroom 201 at 1300 Clay Street, Oakland,
15 California, 94612.

16 “Confirmation Order” means the order of the Bankruptcy Court, as entered, confirming
17 the Plan.

18 “COPs Amortization Table” shall mean the Schedule attached as “Exhibit C” to the First
19 Amended Disclosure Statement setting forth the payments to be made by the Reorganized District
20 to the COPs Holders pursuant to this Plan.

21 “COPs Documents” means all documents entered into by and between the District, the
22 Trustee, and WCCHD Financing Corporation in connection with the 2004 COPs and 2011 COPs
23 including, without limitation, the Installment Sale Agreements dated July 1, 2004, and December
24 1, 2011, between the District and WCCHD Financing Corporation and the Trust Agreements
25 dated July 1, 2004, and December 1, 2011, among the District, the Trustee and WCCHD
26 Financing Corporation.

27 “COPs Holders” means the 2004 COPs Holders and the 2011 COPs Holders.

28 “County” means the County of Contra Costa.

1 “Crown Castle” means Wireless Capital Partners, LLC and MW Cell REIT 1 LLC.

2 “Crown Castle Successor Lease” means all rights of Crown Castle under those certain
3 Purchase and Sale of Easement and Lease and Successor Lease documents dated July 6, 2005,
4 including, without limitation, any easements related thereto.

5 “Cure Payment” means a Claim asserted by the nondebtor party to an executory contract
6 or unexpired lease that is assumed by the Reorganized District (and listed on Exhibit A to this
7 Plan) on account of any defaults under such contract or lease, pursuant to sections 365(b)(1)(A),
8 (B) and (C) of the Bankruptcy Code, as a condition to the assumption of such contract or lease.

9 “Designated Responsible Individual” means the District’s Board of Directors and each
10 member of District’s staff, including consultants and independent contractors, who have served
11 the District during the pendency of the Chapter 9 case, including: William van Dyk, Deborah
12 Campbell, Irma Anderson, Nancy Casazza, Beverly Wallace, Eric Zell, Kathy D. White, Harold
13 Emahiser, Julie Ahr Johnson, Bobbie Ellerston, and Vickie Scharr.

14 “First Amended Disclosure Statement or Disclosure Statement” means the *First Amended*
15 *Disclosure Statement for the Plan for the Adjustment of Debts Dated July 21, 2016* filed
16 contemporaneously herewith.

17 “Disputed Claim” means any claim that: (1) was listed on the *District’s List of Creditors*
18 *and Claims Pursuant to 11 U.S.C. §§ 924 and 925* [Docket No. 21] as contingent, unliquidated,
19 or disputed; and (2) that is or becomes the subject of a claim objection by the District or by any
20 other party in interest.

21 “Distribution(s)” means the Cash or property to be distributed to holders of Allowed
22 Claims in accordance with the Plan.

23 “District” means the West Contra Costa Healthcare District, a subdivision of the State of
24 California, formed in 1948.

25 “EDD” means the Employment Development Department of the State of California.

26 “Effective Date” means: (a) the first business day following Confirmation; (b) such other
27 later date as the District shall fix, which shall be not more than sixty (60) calendar days following
28 Confirmation; or (c) such other date as the Bankruptcy Court shall order; and, in any event, the

1 Reorganized District shall file a Notice of Effective Date with the Bankruptcy Court and serve it
2 on the Committee upon the occurrence of the Effective Date.

3 “Ex Parte Order” means the *Order Granting Ex Parte Application for Order:*
4 *(1) Directing and Approving Form of Notice; (2) Setting Deadline for Filing Objections to*
5 *Petition; (3) Setting Deadline for Filing List of Creditors; (4) Setting Deadline for Filing Proofs*
6 *of Claims; and (5) Limiting Notice* entered by the Bankruptcy Court on October 25, 2016 [Docket
7 No. 12].

8 “Excess Parcel Tax Proceeds” means all Parcel Tax Revenues held by the Trustee or
9 required to be paid to the Trustee under the COPs Documents that are not necessary to make
10 payments to the COPs Holders during the immediate calendar year under the schedule set forth in
11 the COPs Amortization Table.

12 “Final Order” means an order or judgment of the Bankruptcy Court as to which: (i) the
13 time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to
14 which no appeal, petition for certiorari, or proceedings for reargument or rehearing shall then be
15 pending; or (ii) in the event that an appeal, writ of certiorari, reargument or rehearing thereof has
16 been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the
17 highest court to which such order or judgment was appealed, or from which reargument or
18 rehearing was sought, or certiorari has been denied, and the time to take any further appeal,
19 petition for certiorari or move for reargument or rehearing shall have expired.

20 “Hospital” means Doctors Medical Center in San Pablo, California, formerly known as
21 Brookside Hospital, and all of the real property upon which Doctors Medical Center is located.

22 “LAFCO” means the Contra Costa Local Agency Formation Commission.

23 “Lien” means charge against or interest in property to secure payment of a debt or
24 performance of an obligation.

25 “Local 39” means the Stationary Engineers Local 39 Pension trust Fund and the
26 Stationary Engineers Local 39 Health and Welfare Trust Fund.

27 “Local 39 Claim” means a claim for \$483,691.11 [Claim No. 240].

28 “Local 39 Pension Claim” means a claim for \$314,809.87.

1 “Local 39 Health Claim” means a claim for \$73,934.84.

2 “LRC” means Lytton Rancheria of California.

3 “Matrix” means MG Trust Company, LLC d/b/a Matrix Trust Company, as trustee of the
4 WCCHD Successor Pension Plan.

5 “Mid-America” MidAmerica Administrative & Retirement Solutions, as benefits
6 administrator for the CNA Claimants.

7 “Non-Classified Claims” means Claims of the type that the Bankruptcy Code provides
8 shall not be put into classes. The Claims are described in Article III of the Plan.

9 “Notice of Commencement” means the *Notice of Commencement of Case Under Chapter*
10 *9, Notice of Automatic Stay, Notice of Deadline for Filing Objections to the Petition, Notice of*
11 *Deadline for Filing Proofs of Claims, and Related Orders* approved by the Bankruptcy Court
12 pursuant to the *Ex Parte* Order.

13 “Order for Relief” means the *Order for Relief Pursuant to 11 U.S.C. § 921* entered by the
14 Bankruptcy Court on January 11, 2017 [Docket No. 61].

15 “Parcel Tax” means the special parcel tax approved by the voters of the District at a
16 special election held on June 8, 2004.

17 “Parcel Tax Reserve” means all Parcel Tax Revenues held by the Trustee pursuant to the
18 Parcel Tax Documents in order to provide for payments to the COPs holders in the immediately
19 following calendar year.

20 “Parcel Tax Revenues” means all revenues derived from the Parcel Tax.

21 “Patient Records Order” means the *Order Authorizing the Disposal of Patient Records*
22 entered by the Bankruptcy Court on January 18, 2017.

23 “Petition Date” means October 20, 2016.

24 “Plan” means this Plan for the Adjustment of Debt filed by the District on July 21, 2017,
25 as it may be amended from time to time.

26 “*Pro Rata*” means proportionately so that the ratio of the value of the Distribution on
27 account of an Allowed Claim in a class to the aggregate Distributions on account of all Allowed
28

1 Claims in the class is the same as the ratio of such Allowed Claim to the aggregate amount of all
2 Allowed Claims in the class.

3 “Record Date” means the date as of which it will be determined for the purpose of Federal
4 Rule of Bankruptcy Procedure 3018: (a) which holders of Claims will be entitled to vote to
5 accept or reject the Plan and receive a ballot; and (b) whether Claims have been properly assigned
6 or transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote
7 as the holder of the Claim. The Record Date is July 31, 2017 or the effective date of the DTC
8 participant list provided to the District by the Trustee if different than July 31, 2017.

9 “Reorganized District” means the District on and after the Effective Date of the Plan.

10 “Tax Sharing Agreements” shall mean all agreements between the District and the County
11 regarding the allocation of *Ad Valorem* Revenues between the District and County including,
12 without limitation, the Second Amendment to Amended and Restated Second Agreement for
13 Property Tax Transfer from West Contra Costa Healthcare District to Contra Costa County dated
14 May 3, 2016, and the First Amendment to Third Agreement for Property Tax Transfer from West
15 Contra Costa Healthcare District to Contra Costa County dated May 3, 2016.

16 “Trustee” means U.S. Bank, National Association, not in its individual capacity but as
17 Trustee for the COPs Holders under the COPs Documents.

18 “Unclaimed Property” means any Cash (together with any interest earned thereon) that is
19 unclaimed on the sixtieth (60th) day following a Distribution. Unclaimed Property shall include:
20 (a) checks (and the funds represented thereby) that have been returned as undeliverable without a
21 proper forwarding address; (b) funds for checks that have not been cleared for deposit within
22 sixty (60) days after a Distribution; and (c) checks (and the funds represented thereby) that were
23 not mailed or delivered because of the absence of a proper address to which to mail or deliver
24 such checks. The date of a Distribution to the holder of an Allowed Claim shall be the date of the
25 check issued to such holder.

26 “Verizon” means GTE Mobilnet of California Limited Partnership, d/b/a Verizon
27 Wireless.

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

“WCCHD Successor Pension Plan” means the West Contra Costa Healthcare District
Successor Retirement Plan.

EXHIBIT B
DETAILED FINANCIAL PROJECTIONS

| West Contra Costa Healthcare District: Projected Annual Cash Flow | | | | | | | | | | | |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
| Beginning Balance (Operating Acct at Citibank) | 10,266,323 | 12,606,486 | 9,501,279 | 7,741,320 | 7,550,298 | 7,834,348 | 7,724,205 | 10,550,663 | 13,153,373 | 16,217,099 | 10,266,323 |
| Ad Valorem tax receipts | 3,693,375 | 3,711,842 | 3,730,401 | 3,749,053 | 3,767,798 | 3,786,637 | 3,805,571 | 3,824,598 | 3,843,721 | 3,862,940 | 37,775,937 |
| Parcel tax, 2004 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 56,500,000 |
| (1) Other | 8,012,267 | | | | | | | | | | 8,012,267 |
| Total Cash Receipts | 17,355,642 | 9,361,842 | 9,380,401 | 9,399,053 | 9,417,798 | 9,436,637 | 9,455,571 | 9,474,598 | 9,493,721 | 9,512,940 | 102,288,204 |
| Cash Payments: | | | | | | | | | | | |
| Payroll/Administration | 273,967 | 280,816 | 287,837 | 295,033 | 302,409 | 309,969 | 317,718 | 325,661 | 333,802 | 342,148 | 3,069,360 |
| Bookkeeping Services | 40,000 | 20,000 | 20,500 | 21,013 | 21,538 | 22,076 | 22,628 | 23,194 | 23,774 | 24,368 | 239,090 |
| Cost Report Audits and Settlement | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 | | | | | | 157,690 |
| Annual Financial Audit | 15,000 | 15,375 | 15,759 | 16,153 | 16,557 | 16,971 | 17,395 | 17,830 | 18,276 | 18,733 | 168,051 |
| Audit/Actuarial for Successor Pension Plan | 78,000 | 79,950 | 81,949 | 83,997 | 86,097 | 88,250 | 90,456 | 92,717 | 95,035 | 97,411 | 873,864 |
| IT Costs | 12,000 | 12,300 | 12,608 | 12,923 | 13,246 | 13,577 | 13,916 | 14,264 | 14,621 | 14,986 | 134,441 |
| Other | 10,000 | 10,250 | 10,506 | 10,769 | 11,038 | 11,314 | 11,597 | 11,887 | 12,184 | 12,489 | 112,034 |
| Total personnel/consulting costs | 458,967 | 449,441 | 460,677 | 472,194 | 483,999 | 462,157 | 473,711 | 485,554 | 497,693 | 510,135 | 4,754,529 |
| Office Expenses | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 | 33,942 | 34,791 | 35,661 | 36,552 | 37,466 | 336,101 |
| Total facilities costs | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 | 33,942 | 34,791 | 35,661 | 36,552 | 37,466 | 336,101 |
| (2) Records Storage | 216,164 | 191,904 | 164,316 | 131,606 | 96,116 | 62,722 | 34,391 | 23,653 | 18,980 | 15,045 | 954,897 |
| Legal Fees | 300,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 1,200,000 |
| Fees and Other | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 100,000 |
| Election costs every two years | | 450,000 | | 450,000 | | 450,000 | | 450,000 | | 450,000 | 2,250,000 |
| Total other costs | 526,164 | 751,904 | 274,316 | 691,606 | 206,116 | 622,722 | 144,391 | 583,653 | 128,980 | 575,045 | 4,504,897 |
| Unsecured Creditors | 2,000,000 | 2,000,000 | 2,000,000 | | | | | | | | 6,000,000 |
| Repayment to County (Unsecured, past election) | | 218,133 | | | | | | | | | 218,133 |
| EDD | 661,371 | 661,371 | | | | | | | | | 1,322,742 |
| Local 39 Claim | 39,696 | 39,696 | 39,696 | 39,696 | 39,696 | 39,696 | 39,696 | 39,696 | 39,696 | 31,481 | 388,745 |
| CNA_Medical Pension Plan | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 375,000 | 375,000 | - | 2,500,000 |
| Successor Pension Plan Payments | 4,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 13,000,000 |
| 2004 COPs Payment (US Bank) | 1,895,006 | 1,895,988 | 1,894,013 | 1,894,081 | 1,895,925 | 1,894,275 | 1,894,131 | 1,895,225 | 1,895,475 | 1,896,325 | 18,950,444 |
| 2011 COPs Payment (US Bank) | 2,460,900 | 2,457,925 | 2,459,738 | 2,461,138 | 2,457,100 | 2,457,350 | 2,457,350 | 2,457,100 | 2,456,600 | 2,455,850 | 24,581,050 |
| Repayment to County (Ad Valorem tax exchange) | 2,693,375 | 2,711,842 | 2,730,401 | 2,749,053 | 2,767,798 | 2,786,637 | 335,042 | - | - | - | 16,774,149 |
| Creditor Payments | 14,000,348 | 11,234,954 | 10,373,847 | 8,393,968 | 8,410,519 | 8,427,958 | 5,976,219 | 5,767,021 | 5,766,771 | 5,383,656 | 83,735,262 |
| Total Cash Payments | 15,015,479 | 12,467,049 | 11,140,359 | 9,590,075 | 9,133,749 | 9,546,780 | 6,629,112 | 6,871,888 | 6,429,996 | 6,506,301 | 93,330,789 |
| Net Cash Flow, Annual | 2,340,163 | (3,105,207) | (1,759,958) | (191,022) | 284,050 | (110,142) | 2,826,458 | 2,602,710 | 3,063,726 | 3,006,639 | 8,957,415 |
| Total Cash Available | \$ 12,606,486 | \$ 9,501,279 | \$ 7,741,320 | \$ 7,550,298 | \$ 7,834,348 | \$ 7,724,205 | \$ 10,550,663 | \$ 13,153,373 | \$ 16,217,099 | \$ 19,223,738 | \$ 19,223,738 |

Notes:

- (1) Amount projected by the District to be held by U.S. Bank as of 1/1/2018 reflecting all parcel taxes collected prior to 2018 less all payments on the 2004 Cops and 2011 Cops through 2017.
- (1) DMC may be eligible to receive a total of \$605,401 for 2013 and 2014 from the State for "Newly Eligible O/P" for Medi-Cal. The reports have been submitted to the State: The State has acknowledged that these payments are due, but have not yet developed a plan or a time when these payments will be made. These are not included in the above forecast.
- (2) The District will be entitled to destroy its records on 1/18/18. The Board is considering its options regarding destroying the records; in the event it does, future costs will be reduced.

EXHIBIT C
COPs AMORTIZATION TABLE

2004 and 2011 COPs Amortization Schedule

| Year | Parcel Tax Collections | 2004 Payments | 2011 Payments | Total Debt Service | Net Proceeds |
|------|------------------------|---------------|---------------|--------------------|--------------|
| 2018 | 5,650,000 | (1,895,006) | (2,460,900) | (4,355,906) | 1,294,094 |
| 2019 | 5,650,000 | (1,895,988) | (2,457,925) | (4,353,913) | 1,296,088 |
| 2020 | 5,650,000 | (1,894,013) | (2,459,738) | (4,353,750) | 1,296,250 |
| 2021 | 5,650,000 | (1,894,081) | (2,461,138) | (4,355,219) | 1,294,781 |
| 2022 | 5,650,000 | (1,895,925) | (2,457,100) | (4,353,025) | 1,296,975 |
| 2023 | 5,650,000 | (1,894,275) | (2,457,350) | (4,351,625) | 1,298,375 |
| 2024 | 5,650,000 | (1,894,131) | (2,457,350) | (4,351,481) | 1,298,519 |
| 2025 | 5,650,000 | (1,895,225) | (2,457,100) | (4,352,325) | 1,297,675 |
| 2026 | 5,650,000 | (1,895,475) | (2,456,600) | (4,352,075) | 1,297,925 |
| 2027 | 5,650,000 | (1,896,325) | (2,455,850) | (4,352,175) | 1,297,825 |
| 2028 | 5,650,000 | (1,897,500) | (2,458,650) | (4,356,150) | 1,293,850 |
| 2029 | 5,650,000 | (1,893,725) | (2,460,850) | (4,354,575) | 1,295,425 |
| 2030 | 5,650,000 | - | (4,352,450) | (4,352,450) | 1,297,550 |
| 2031 | 5,650,000 | | (4,355,050) | (4,355,050) | 1,294,950 |
| 2032 | 5,650,000 | | (4,355,150) | (4,355,150) | 1,294,850 |
| 2033 | 5,650,000 | | (4,352,450) | (4,352,450) | 1,297,550 |
| 2034 | 5,650,000 | | (4,352,725) | (4,352,725) | 1,297,275 |
| 2035 | 5,650,000 | | (4,354,950) | (4,354,950) | 1,295,050 |
| 2036 | 5,650,000 | | (4,353,550) | (4,353,550) | 1,296,450 |
| 2037 | 5,650,000 | | (4,353,238) | (4,353,238) | 1,296,763 |
| 2038 | 5,650,000 | | (4,353,438) | (4,353,438) | 1,296,563 |
| 2039 | 5,650,000 | | (4,352,500) | (4,352,500) | 1,297,500 |
| 2040 | 5,650,000 | | (4,354,063) | (4,354,063) | 1,295,938 |
| 2041 | 5,650,000 | | (4,352,188) | (4,352,188) | 1,297,813 |
| 2042 | 5,650,000 | | (4,356,250) | (4,356,250) | 1,293,750 |
| 2043 | 5,650,000 | | | | 5,650,000 |
| 2044 | 5,650,000 | | | | 5,650,000 |
| 2045 | 5,650,000 | | | | 5,650,000 |

EXHIBIT D
FIRST AMENDED PLAN OF ADJUSTMENT

1 SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
2 DENTONS US LLP
601 South Figueroa Street, Suite 2500
3 Los Angeles, CA 90017-5704
Telephone: (213) 623 9300
4 Facsimile: (213) 623 9924

GARY W. MARSH (*pro hac vice*)
gary.marsh@dentons.com
DAVID GORDON (*pro hac vice*)
david.gordon@dentons.com
DENTONS US LLP
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Telephone: (404) 527 4000
Facsimile: (404) 527 4198

5 Attorneys for Debtor
6 WEST CONTRA COSTA HEALTHCARE
DISTRICT
7
8
9
10
11
12

13 **UNITED STATES BANKRUPTCY COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**
15 **OAKLAND DIVISION**

16 In re:
17 WEST CONTRA COSTA HEALTHCARE
18 DISTRICT.
19 Debtor.
20 Tax ID: 94-6003145

Case No. 16-42917 - RLE

Chapter 9

FIRST AMENDED PLAN FOR THE
ADJUSTMENT OF DEBTS DATED JULY 21,
2017

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

| | Page |
|---|-----------|
| ARTICLE I. DEFINITIONS | 1 |
| 1.1 Defined Terms..... | 1 |
| 1.2 Interpretation, Rules of Construction, Time..... | 7 |
| 1.2.1 Interpretation | 7 |
| 1.2.2 Time | 8 |
| ARTICLE II. DESIGNATION OF CLASSES OF CLAIMS SPECIFICATION OF STATUS AS IMPAIRED OR UNIMPAIRED | 8 |
| 2.1 Secured Claims of the COPs Holders (Class 1) | 8 |
| 2.2 Unsecured Claim and Contractual Rights of the County Under the Tax Sharing Agreements (Class 2) | 8 |
| 2.3 WCCHD Successor Pension Plan Claims (Class 3)..... | 8 |
| 2.4 CNA Claim (Class 4) | 8 |
| 2.5 General Unsecured Claims (Class 5) | 8 |
| 2.6 EDD Claim (Class 6)..... | 9 |
| 2.7 Local 39 Claim (Class 7)..... | 9 |
| ARTICLE III. TREATMENT OF NON-CLASSIFIED CLAIMS | 9 |
| 3.1 General Administrative Claims..... | 9 |
| 3.2 Professional Fees..... | 9 |
| ARTICLE IV. TREATMENT OF CLAIMS..... | 10 |
| 4.1 Class 1 (Secured Claims of the COPs Holders) | 10 |
| 4.2 Class 2 (Unsecured Claim and Contractual Rights of the County Under the Tax Sharing Agreements)..... | 11 |
| 4.3 Class 3 (WCCHD Successor Pension Plan Claims)..... | 11 |
| 4.4 Class 4 (CNA Claim) | 12 |
| 4.5 Class 5 (General Unsecured Claims) | 12 |

| | | | |
|----|--|--|-----------|
| 1 | 4.6 | Class 6 (EDD Claim)..... | 12 |
| 2 | 4.7 | Class 7 (Local 39 Claim)..... | 13 |
| 3 | ARTICLE V..... | | 13 |
| 4 | 5.1 | Creation of the Reorganized District..... | 13 |
| 5 | 5.2 | Governance of the Reorganized District..... | 13 |
| 6 | 5.3 | Repayment of Creditors..... | 13 |
| 7 | 5.4 | Return to Provision of Healthcare Services..... | 13 |
| 8 | ARTICLE VI. MEANS FOR IMPLEMENTATION OF THE PLAN..... | | 14 |
| 9 | 6.1 | Sale of the Hospital..... | 14 |
| 10 | 6.2 | The Disputed Claims Reserve..... | 14 |
| 11 | 6.3 | Distributions to Holders of Allowed Claims..... | 14 |
| 12 | 6.3.1 | Effective Date Payments..... | 14 |
| 13 | 6.3.2 | Distributions to Allowed Claims in Class 1..... | 15 |
| 14 | 6.3.3 | Distributions to Allowed Claims in Class 2..... | 15 |
| 15 | 6.3.4 | Distributions to Allowed Claims in Class 3..... | 15 |
| 16 | 6.3.5 | Distributions to Allowed Claims in Class 4..... | 15 |
| 17 | 6.3.6 | Distributions to Allowed Claims in Class 5..... | 16 |
| 18 | 6.3.6.1 | Initial Distribution..... | 16 |
| 19 | 6.3.6.2 | Subsequent Distributions..... | 16 |
| 20 | 6.3.6.3 | Final Distribution..... | 16 |
| 21 | 6.3.7 | Distributions to Allowed Claims in Class 6..... | 16 |
| 22 | 6.3.8 | Distributions To Allowed Claim in Class 7..... | 16 |
| 23 | 6.4 | Postconfirmation Operations..... | 16 |
| 24 | 6.4.1 | The Creditors' Committee..... | 16 |
| 25 | 6.4.2 | Non-Classified Claims Bar Date..... | 17 |
| 26 | 6.4.3 | Consequences of Untimely Administrative Claim..... | 17 |
| 27 | 6.5 | Professional Fees..... | 17 |
| 28 | | | |

| | | | |
|----|-------|--|-----------|
| 1 | 6.6 | Treatment of Disputed Claims | 17 |
| 2 | 6.6.1 | Disputed Claims Reserve | 17 |
| 3 | 6.7 | Calculation of Appropriate Reserves | 18 |
| 4 | 6.8 | Treatment of Unclaimed Property..... | 18 |
| 5 | 6.9 | <i>De Minimis</i> Distributions and Rounding of Distributions | 18 |
| 6 | | ARTICLE VII. EFFECT OF CONFIRMATION | 18 |
| 7 | 7.1 | Discharge of the District | 18 |
| 8 | 7.2 | Injunction | 19 |
| 9 | 7.3 | Term of Existing Injunctions or Stays..... | 20 |
| 10 | 7.4 | Release and Indemnification of the Board of Directors and Officers of the District..... | 20 |
| 11 | 7.5 | Exculpation..... | 21 |
| 12 | 7.6 | Plan Binding..... | 21 |
| 13 | | ARTICLE VIII. VESTING OF TITLE | 21 |
| 14 | | ARTICLE IX. RETENTION AND ENFORCEMENT OF CLAIMS | 21 |
| 15 | | ARTICLE X. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES | 22 |
| 16 | 10.1 | Assumed Executory Contracts and Unexpired Leases..... | 22 |
| 17 | 10.2 | Cure of Prepetition Default Amounts..... | 22 |
| 18 | 10.3 | Rejection of Crown Castle Successor Lease | 23 |
| 19 | 10.4 | Rejection of Executory Contracts and Unexpired Leases | 23 |
| 20 | 10.5 | Claims Arising from the Rejection of Executory Contracts and Unexpired Leases | 23 |
| 21 | | ARTICLE XI. MODIFICATION OF PLAN | 23 |
| 22 | | ARTICLE XII. USE OF BANKRUPTCY CODE SECTION 1129(b) | 24 |
| 23 | | ARTICLE XIII. RETENTION OF JURISDICTION | 24 |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- Determination of the allowability and classification of Claims upon requests for payment of Claims or upon the objection by the Reorganized District to such Claims; 24
- Resolution of controversies and disputes regarding interpretation of this Plan or the Confirmation Order; 24
- Implementation of the provisions of this Plan or the Confirmation Order, and entry of orders in aid of Confirmation including orders to protect the Reorganized District or persons included in Subsections 7.2, 7.4, and 7.5 of the Plan from creditor action enjoined pursuant to Confirmation; 24
- Enforcement of the terms of the Plan against the Trustee and Cellular Rights Parties; 24
- Modification of the Plan pursuant to section 1127 of the Bankruptcy Code; 24
- Adjudication of any Claims or causes of action, including Avoidance Actions, brought by the Reorganized District, or any claims or causes of action brought against the Reorganized District; and..... 24
- Entry of an order closing the Chapter 9 Case..... 25

EXHIBIT 1 Executory Contracts and Unexpired Leases to be Assumed & Associated Cure Payments

1 **ARTICLE I.**

2 **DEFINITIONS**

3 **1.1 Defined Terms.**

4 The following definitions apply in this Plan:

5 “2004 COPs Holders” means the holders of those certain 2004 Certificates of
6 Participation evidencing a direct, undivided, fractional interest of the owners thereof in certain
7 payments to be made by the District in accordance with the COPs Documents.

8 “2011 COPs Holders” means the holders of those certain 2011 Certificates of
9 Participation evidencing a direct, undivided, fractional interest of the owners thereof in certain
10 payments to be made by the District in accordance with the COPs Documents.

11 “928(b) Order” means the *Order Pursuant to Bankruptcy Code Section 928(b)*
12 *Authorizing the Use of Special Revenues to Fund Operations* entered by the Bankruptcy Court on
13 January 11, 2017 [Docket No. 62], as amended by the *Amended Order Pursuant to Bankruptcy*
14 *Code Section 928(b) Authorizing the Use of Special Revenues to Fund Operations* entered by the
15 Bankruptcy Court on January 13, 2017 [Docket No. 68].

16 “Ad Valorem Revenues” means all revenues derived by the District from the *ad valorem*
17 property tax revenues collected by the County on behalf of the District.

18 “Allowed Claim” means a Claim against the District to the extent that:

19 1. A proof of such Claim was:

20 a. Timely filed; or

21 b. Deemed filed because such Claim was included on the District’s *List of Creditors*
22 *and Claims Pursuant to 11 U.S.C. §§ 924 and 925* filed on November 11, 2016, as amended,
23 unless such claim was listed therein as disputed, unliquidated, or contingent, and

24 2. Such Claim is:

25 a. Not a Disputed Claim; or

26 b. Allowed, and only to the extent allowed, by the Plan, a compromise approved
27 pursuant to the Notice Procedure established in Article VI of the Plan, or a Final Order.

28 “AMBAC” means Ambac Assurance Corporation.

1 “AT&T” means New Cingular Wireless d/b/a AT&T Mobility.

2 “Avoidance Actions” means all causes of actions under sections 506(c), 510, 544, 545,
3 547, 548, 549, 550 and 553 of the Bankruptcy Code, whether or not such actions seek an
4 affirmative recovery or are raised as a defense to or offset against the allowance of a Claim.

5 “Bankruptcy Code” means Title 11 of the United States Code.

6 “Bankruptcy Court” means the United States Bankruptcy Court for the Northern District
7 of California or, in the event such court ceases to exercise jurisdiction over the Chapter 9 Case,
8 such court or adjunct thereof which thereafter exercises jurisdiction over the Chapter 9 Case.

9 “Bar Date” means January 31, 2017, the deadline set by the Bankruptcy Court for filing
10 Proofs of Claims against the District.

11 “Cash” means cash and cash equivalents including, but not limited to, checks and other
12 similar forms of payment or exchange.

13 “Cell Boxes” means all equipment placed on the roof of the Hospital or on any of the real
14 property of the Hospital used by Verizon and AT&T for purposes of providing cellular coverage
15 to their customers.

16 “Cellular Rights Parties” means GTE Mobilnet of California Limited Partnership, d/b/a
17 Verizon Wireless, Wireless Capital Partners, LLC, MW Cell REIT 1 LLC, and New Cingular
18 Wireless d/b/a AT&T Mobility.

19 “Chapter 9 Case” means this Chapter 9 Case filed by the District on October 20, 2016.

20 “Claim” means any right to payment, whether or not such right is reduced to judgment,
21 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,
22 equitable, secured, or unsecured; or any right to an equitable remedy for breach of performance, if
23 such breach gives rise to a right to payment, whether or not such right to an equitable remedy is
24 reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or
25 unsecured.

26 “CNA” means the California Nurses Association.

27 “CNA Claim” means the claims in the amount of \$5,119,006.00 held by CNA with
28 respect to obligations owed by the District to CNA pursuant to that certain Memorandum of

1 Understanding between the District and the California Nurses Association dated June 14, 2011 as
2 further described in the proof of claim filed by CNA [Claim No. 235].

3 “Committee” means the Official Committee of Unsecured Creditors appointed in the
4 Chapter 9 Case on March 21, 2017, as amended on May 17, 2017, pursuant to section 1102(a) of
5 the Bankruptcy Code, as it may be reconstituted from time to time.

6 “Confirmation” means entry of the Confirmation Order.

7 “Confirmation Hearing” means the hearing to determine whether the Bankruptcy Court
8 will confirm the Plan, scheduled for October 12 and 13, 2017, at 9:30 a.m. Pacific Time in the
9 Courtroom of the Honorable Roger L. Efremsky, Courtroom 201 at 1300 Clay Street, Oakland,
10 California, 94612.

11 “Confirmation Order” means the order of the Bankruptcy Court, as entered, confirming
12 the Plan.

13 “COPs Amortization Table” shall mean the Schedule attached as “Exhibit C” to the
14 Disclosure Statement setting forth the payments to be made by the Reorganized District to the
15 COPs Holders pursuant to this Plan.

16 “COPs Documents” means all documents entered into by and between the District, the
17 Trustee, and WCCHD Financing Corporation in connection with the 2004 COPs and 2011 COPs
18 including, without limitation, the Installment Sale Agreements dated July 1, 2004, and December
19 1, 2011, between the District and WCCHD Financing Corporation and the Trust Agreements
20 dated July 1, 2004, and December 1, 2011, among the District, the Trustee and WCCHD
21 Financing Corporation.

22 “COPs Holders” means the 2004 COPs Holders and the 2011 COPs Holders.

23 “County” means the County of Contra Costa.

24 “Crown Castle” means Wireless Capital Partners, LLC and MW Cell REIT 1 LLC.

25 “Crown Castle Successor Lease” means all rights of Crown Castle under those certain
26 Purchase and Sale of Easement and Lease and Successor Lease documents dated July 6, 2005,
27 including, without limitation, any easements related thereto.

28

1 “Cure Payment” means a Claim asserted by the nondebtor party to an executory contract
2 or unexpired lease that is assumed by the Reorganized District (and listed on Exhibit A to this
3 Plan) on account of any defaults under such contract or lease, pursuant to sections 365(b)(1)(A),
4 (B) and (C) of the Bankruptcy Code, as a condition to the assumption of such contract or lease.

5 “Designated Responsible Individual” means the District’s Board of Directors and each
6 member of District’s staff, including consultants and independent contractors, who have served
7 the District during the pendency of the Chapter 9 case, including: William van Dyk, Deborah
8 Campbell, Irma Anderson, Nancy Casazza, Beverly Wallace, Eric Zell, Kathy D. White, Harold
9 Emahiser, Julie Ahr Johnson, Bobbie Ellerston, and Vickie Scharr.

10 “Disclosure Statement” means the *First Amended Disclosure Statement for the Plan for*
11 *the Adjustment of Debts Dated July 21, 2016* filed contemporaneously herewith.

12 “Disputed Claim” means any claim that: (1) was listed on the *District’s List of Creditors*
13 *and Claims Pursuant to 11 U.S.C. §§ 924 and 925* [Docket No. 21], as amended, as contingent,
14 unliquidated, or disputed; or (2) that is or becomes the subject of a claim objection by the District
15 or by any other party in interest.

16 “Distribution(s)” means the Cash or property to be distributed to holders of Allowed
17 Claims in accordance with the Plan.

18 “District” means the West Contra Costa Healthcare District, a subdivision of the State of
19 California, formed in 1948.

20 “EDD” means the Employment Development Department of the State of California.

21 “Effective Date” means: (a) the first business day following Confirmation; (b) such other
22 later date as the District shall fix, which shall be not more than sixty (60) calendar days following
23 Confirmation; or (c) such other date as the Bankruptcy Court shall order; and, in any event, the
24 Reorganized District shall file a Notice of Effective Date with the Bankruptcy Court and serve it
25 on the Committee upon the occurrence of the Effective Date.

26 “Ex Parte Order” means the *Order Granting Ex Parte Application for Order:*
27 *(1) Directing and Approving Form of Notice; (2) Setting Deadline for Filing Objections to*
28 *Petition; (3) Setting Deadline for Filing List of Creditors; (4) Setting Deadline for Filing Proofs*

1 of Claims; and (5) Limiting Notice entered by the Bankruptcy Court on October 25, 2016 [Docket
2 No. 12].

3 “Excess Parcel Tax Proceeds” means all Parcel Tax Revenues held by the Trustee or
4 required to be paid to the Trustee under the COPs Documents that are not necessary to make
5 payments to the COPs Holders during the immediate calendar year under the schedule set forth in
6 the COPs Amortization Table.

7 “Final Order” means an order or judgment of the Bankruptcy Court as to which: (i) the
8 time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to
9 which no appeal, petition for certiorari, or proceedings for reargument or rehearing shall then be
10 pending; or (ii) in the event that an appeal, writ of certiorari, reargument or rehearing thereof has
11 been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the
12 highest court to which such order or judgment was appealed, or from which reargument or
13 rehearing was sought, or certiorari has been denied, and the time to take any further appeal,
14 petition for certiorari or move for reargument or rehearing shall have expired.

15 “Hospital” means Doctors Medical Center in San Pablo, California, formerly known as
16 Brookside Hospital, and all of the real property upon which Doctors Medical Center is located.

17 “LAFCO” means the Contra Costa Local Agency Formation Commission.

18 “Lien” means charge against or interest in property to secure payment of a debt or
19 performance of an obligation.

20 “Local 39” means the Stationary Engineers Local 39 Pension trust Fund and the
21 Stationary Engineers Local 39 Health and Welfare Trust Fund.

22 “Local 39 Claim” means a claim for \$483,691.11 [Claim No. 240].

23 “Local 39 Pension Claim” means a claim for \$314,809.87.

24 “Local 39 Health Claim” means a claim for \$73,934.84.

25 “LRC” means Lytton Rancheria of California.

26 “Matrix” means MG Trust Company, LLC d/b/a Matrix Trust Company, as trustee of the
27 WCCHD Successor Pension Plan Trust.

28

1 “Mid-America” means MidAmerica Administrative & Retirement Solutions, as benefits
2 administrator for the beneficiaries of the CNA Claim.

3 “Non-Classified Claims” means Claims of the type that the Bankruptcy Code provides
4 shall not be put into classes. These Claims are described in Article III of the Plan.

5 “Notice of Commencement” means the *Notice of Commencement of Case Under Chapter*
6 *9, Notice of Automatic Stay, Notice of Deadline for Filing Objections to the Petition, Notice of*
7 *Deadline for Filing Proofs of Claims, and Related Orders* approved by the Bankruptcy Court
8 pursuant to the *Ex Parte* Order.

9 “Order for Relief” means the *Order for Relief Pursuant to 11 U.S.C. § 921* entered by the
10 Bankruptcy Court on January 11, 2017 [Docket No. 61].

11 “Parcel Tax” means the special parcel tax approved by the voters of the District at a
12 special election held on June 8, 2004.

13 “Parcel Tax Reserve” means all Parcel Tax Revenues held by the Trustee pursuant to the
14 Parcel Tax Documents in order to provide for payments to the COPs holders in the immediately
15 following calendar year.

16 “Parcel Tax Revenues” means all revenues derived from the Parcel Tax.

17 “Patient Records Order” means the *Order Authorizing the Disposal of Patient Records*
18 entered by the Bankruptcy Court on January 18, 2017.

19 “Petition Date” means October 20, 2016.

20 “Plan” means this First Amended Plan for the Adjustment of Debts filed by the District on
21 July 21, 2017, as it may be amended from time to time.

22 “*Pro Rata*” means proportionately so that the ratio of the value of the Distribution on
23 account of an Allowed Claim in a class to the aggregate Distributions on account of all Allowed
24 Claims in the class is the same as the ratio of such Allowed Claim to the aggregate amount of all
25 Allowed Claims in the class.

26 “Record Date” means the date as of which it will be determined for the purpose of Federal
27 Rule of Bankruptcy Procedure 3018: (a) which holders of Claims will be entitled to vote to
28 accept or reject the Plan and receive a ballot; and (b) whether Claims have been properly assigned

1 or transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote
2 as the holder of the Claim. The Record Date is July 31, 2017 or such other date reflected on the
3 DTC participant listed provided to the District by the Trustee if different than July 31, 2017.

4 “Reorganized District” means the District on and after the Effective Date of the Plan.

5 “Tax Sharing Agreements” shall mean all agreements between the District and the County
6 regarding the allocation of *Ad Valorem* Revenues between the District and County including,
7 without limitation, the Second Amendment to Amended and Restated Second Agreement for
8 Property Tax Transfer from West Contra Costa Healthcare District to Contra Costa County dated
9 May 3, 2016, and the First Amendment to Third Agreement for Property Tax Transfer from West
10 Contra Costa Healthcare District to Contra Costa County dated May 3, 2016.

11 “Trustee” means U.S. Bank, National Association, not in its individual capacity but as
12 Trustee for the COPs Holders under the COPs Documents.

13 “Unclaimed Property” means any Cash (together with any interest earned thereon) that is
14 unclaimed on the sixtieth (60th) day following a Distribution. Unclaimed Property shall include:
15 (a) checks (and the funds represented thereby) that have been returned as undeliverable without a
16 proper forwarding address; (b) funds for checks that have not been cleared for deposit within
17 sixty (60) days after a Distribution; and (c) checks (and the funds represented thereby) that were
18 not mailed or delivered because of the absence of a proper address to which to mail or deliver
19 such checks. The date of a Distribution to the holder of an Allowed Claim shall be the date of the
20 check issued to such holder.

21 “Verizon” means GTE Mobilnet of California Limited Partnership, d/b/a Verizon
22 Wireless.

23 “WCCHD Successor Pension Plan” means the West Contra Costa Healthcare District
24 Successor Retirement Plan.

25 **1.2 Interpretation, Rules of Construction, Time.**

26 **1.2.1 Interpretation.** A term used but not defined herein, but defined in either the
27 Disclosure Statement, the Bankruptcy Code, or the Federal Rules of Bankruptcy Procedure, has
28

1 the meaning given to that term in the Disclosure Statement, the Bankruptcy Code, or in the
2 Federal Rules of Bankruptcy Procedure, unless the context of the Plan clearly requires otherwise.

3 **1.2.2 Time.** In computing any period of time prescribed or allowed by the Plan, the
4 provisions of Rule 9006(a) of the Federal Rules of Bankruptcy Procedure shall apply.

5 **ARTICLE II.**

6 **DESIGNATION OF CLASSES OF CLAIMS**

7 **SPECIFICATION OF STATUS AS IMPAIRED OR UNIMPAIRED**

8 All Claims (except Non-Classified Claims treated under Article III of this Plan) are placed
9 in the following classes pursuant to section 1122 of the Bankruptcy Code:

10 **2.1 Secured Claims of the COPs Holders (Class 1).**

11 Class 1 consists of the Claims of the COPs Holders secured by the Parcel Tax Revenues
12 of the District. Class 1 is impaired under section 1124 of the Bankruptcy Code.

13 **2.2 Unsecured Claim and Contractual Rights of the County Under the Tax Sharing** 14 **Agreements (Class 2).**

15 Class 2 consists of the Allowed Unsecured Claim of the County and the contractual rights
16 of the County under the Tax Sharing Agreements. Class 2 is impaired under section 1124 of the
17 Bankruptcy Code.

18 **2.3 WCCHD Successor Pension Plan Claims (Class 3).**

19 Class 3 consists of the holders of all claims against the District under the WCCHD
20 Successor Pension Plan. Class 3 is unimpaired under section 1124 of the Bankruptcy Code.

21 **2.4 CNA Claim (Class 4).**

22 Class 4 consists of the claim held by CNA against the District pursuant to that certain
23 Memorandum of Understanding between the District and CNA dated June 14, 2011. Class 4 is
24 impaired under section 1124 of the Bankruptcy Code.

25 **2.5 General Unsecured Claims (Class 5).**

26 Class 5 consists of the holders of all general unsecured claims against the District other
27 than the claims of the County, EDD, Local 39, the WCCHD Successor Pension Plan Claims, and
28 the CNA Claim. Class 5 is impaired under section 1124 of the Bankruptcy Code.

1 **2.6 EDD Claim (Class 6).**

2 Class 6 consists of the claim of EDD, filed by EDD as a priority unsecured claim in the
3 amount of \$1,664,785.23 [Claim No. 314]. Class 6 is impaired under section 1124 of the
4 Bankruptcy Code.

5 **2.7 Local 39 Claim (Class 7)**

6 Class 7 consists of the Local 39 Claim in the amount of \$483,691.11 [Claim No. 240].
7 Class 7 is impaired under section 1124 of the Bankruptcy Code.

8 **ARTICLE III.**

9 **TREATMENT OF NON-CLASSIFIED CLAIMS**

10 In accordance with section 1123(a)(1) of the Bankruptcy Code, the following Claims
11 (“Non-Classified Claims”) are not classified under the Plan. Non-Classified Claims are treated in
12 the following manner:

13 **3.1 General Administrative Claims.**

14 Except as provided otherwise in this Article III, the holders of Non-Classified Claims that
15 are Allowed Claims entitled to priority under section 507(a)(2) of the Bankruptcy Code, including
16 entities entitled to payment pursuant to section 503 of the Bankruptcy Code, will receive Cash in
17 the amount of such Allowed Claims or in such amounts as the District and the holders of such
18 Allowed Claims shall agree on the later of: (a) sixty (60) days after the Effective Date; (b) the
19 date such Non-Classified Claims become Allowed Claims; or (c) at such time as the District and
20 the holders of such Allowed Claims shall agree. Non-Classified Claims shall include Claims of
21 governmental units for taxes or duties.

22 **3.2 Professional Fees.**

23 Professionals employed by the District and the Committee will receive Cash on account of
24 fees and expenses incurred from the Filing Date through the Effective Date in the amount
25 approved by the Reorganized District within sixty (60) calendar days of the Effective Date. The
26 Reorganized District reserves the right to object to the fees and expenses of the Committee.

27
28

1 **ARTICLE IV.**

2 **TREATMENT OF CLAIMS**

3 Only the Allowed Claims in Classes 1, 2, 4, 5, 6 and 7 are impaired and entitled to vote
4 under the Plan.

5 **4.1 Class 1 (Secured Claims of the COPs Holders).**

6 The secured claim of the 2004 COPs Holders shall be allowed in the amount of
7 \$16,370,000.00 or such other amount as is actually outstanding as of the Effective Date. The
8 secured claim of the 2011 COPs Holders shall be allowed in the amount of \$39,620,000.00 or
9 such other amount as is actually outstanding as of the Effective Date.

10 The secured claims of the COPs Holders shall be paid in full with interest under the Plan.
11 Payments of principal and interest shall be made to the COPs Holders pursuant to the COPs
12 Documents, and the Plan shall not modify the applicable interest rates or maturity dates under the
13 COPs Documents, except that the COPs Documents shall be modified to provide that: (1) all
14 existing defaults of the District under the COPs Documents shall be deemed waived upon
15 confirmation of the Plan; (2) the Trustee shall no longer be permitted to retain the Excess Parcel
16 Tax Proceeds or the Parcel Tax Reserve, and all funds held by the Trustee as of the Effective Date
17 that constitute Excess Parcel Tax Proceeds or the Parcel Tax Reserve shall be returned by the
18 Trustee to the Reorganized District within seven days of the Effective Date of the Plan; (3) any
19 mandatory prepayment rights of the COPs Holders under the COPs Documents or any other
20 provision of the COPs Documents that would cause payments by the Reorganized District to the
21 Trustee to be inconsistent in any way with the COPs Amortization Table shall be extinguished;
22 and (4) the Default Provisions of the COPs Documents shall be modified to provide that only the
23 District's failure to make the payments set forth in the COPs Amortization Table, after notice and
24 a cure period, shall constitute a default under the COPs Documents. The Trustee and COPs
25 Holders shall retain their lien on the Parcel Tax Revenues in order to secure the Reorganized
26 District's payment obligations under the Plan. The Trustee and Reorganized District shall
27 execute amended COPs Documents consistent with the treatment described herein.
28

1 **4.2 Class 2 (Unsecured Claim and Contractual Rights of the County Under the Tax**
2 **Sharing Agreements).**

3 The County holds an unsecured claim against the District in the amount of \$436,265.01.
4 The County's claim shall be an Allowed Unsecured Claim. The County shall receive one
5 distribution in the amount of \$218,132.50 on account of its Allowed Unsecured Claim within
6 twenty-four (24) months of the Effective Date.

7 The County also holds certain rights with respect to the District *Ad Valorem* Revenues
8 pursuant to the Tax Sharing Agreements. Pursuant to the Tax Sharing Agreements, the District
9 assigned to the County certain of the District's right to receive certain of its *Ad Valorem*
10 Revenues in exchange for financial and other support provided to the District by the County.
11 The County's rights under the Tax Sharing Agreements shall remain unaltered by the Plan.

12 **4.3 Class 3 (WCCHD Successor Pension Plan Claims).**

13 The District owes certain obligations under the WCCHD Successor Pension Plan to
14 retirees who are holders of WCCHD Successor Pension Plan Claims. All such claims shall be
15 Allowed Claims under the Plan. On the Effective Date, the Reorganized District shall assume all
16 rights and responsibilities of the District under the WCCHD Successor Pension Plan. The
17 WCCHD Successor Pension Plan Trust shall continue to be administered by Matrix, who shall act
18 as disbursement agent for all payments to be made to beneficiaries under the Plan. Within thirty
19 (30) days of the Effective Date, the Reorganized District shall transfer \$4 million to Matrix in
20 order to fund the WCCHD Successor Pension Plan. Thereafter, the District shall transfer \$1
21 million to Matrix each year until the WCCHD Successor Pension Plan is fully funded.
22 Notwithstanding the foregoing, nothing contained herein is intended to modify, alter, amend, or
23 otherwise change the terms of the trust agreement entered into by WCCHD and PW Trust
24 Company (to which Matrix is an assignee) and the obligations of the parties thereunder, nor is it
25 intended to impose any additional obligations or liabilities on the part of Matrix, whether to the
26 District, the Reorganized District and any or all beneficiaries/retirees of the WCCHD Successor
27 Pension Plan.
28

1 **4.4 Class 4 (CNA Claim).**

2 The District owes certain obligations to CNA on behalf of nurses who formerly worked at
3 the Hospital and who are or were members of CNA pursuant to that certain Memorandum of
4 Understanding between the District and CNA dated June 14, 2011. CNA has filed a claim for
5 \$5,119,006.00 [Claim No. 235]. The CNA Claim shall be paid \$2,500,000 over nine years
6 without interest in equal, annual payments of \$250,000 in years 1 through 7 and \$375,000 in
7 years 8 and 9. Additionally, the \$212,292.13 in funds currently held by MidAmerica shall be
8 available to pay the CNA Claim. MidAmerica, or another administrator selected by CNA, shall
9 serve as the disbursing agent for all payments to be made to the nurses who are the beneficiaries
10 of the CNA Claim.

11 **4.5 Class 5 (General Unsecured Claims).**

12 Class 5 consists of all holders of Allowed Unsecured Claims other than claims held by the
13 County, EDD, Local 39, CNA, and holders of WCCHD Successor Pension Claims. Class 5
14 consists primarily of trade creditors and workers compensation claimants. The aggregate claimed
15 liability of Class 5 creditors, before objections, is approximately \$10,500,000. The holders of
16 Allowed Claims in Class 5 will receive their *pro rata* share of \$6 million in three (3) installments
17 over three (3) years following the Effective Date. As set forth below, the Plan enables the District
18 to file objections to claims at any time within 180 days after the Effective Date. To the extent a
19 Class 5 Claim is not an Allowed Claim on the date that is 180 days after the Effective Date, such
20 claim will receive its *pro rata* share of the \$6 million paid to Class 5 Claims at the time and to the
21 extent such claim becomes an Allowed Claim. Until the total allowed amount of all Class 5
22 Claims is determined, the Reorganized District may delay payment or make adequate reserves
23 prior to payment of any Allowed Class 5 Claims.

24 **4.6 Class 6 (EDD Claim).**

25 Class 6 consists of the claim of EDD, filed by EDD as a priority unsecured claim in the
26 amount of \$1,664,785.23 [Claim No. 314]. The EDD Claim includes penalties and interest of
27 \$341,089.13. The Reorganized District shall pay the EDD Claim, less the penalties and interest,
28 over a two (2) year period following the Effective Date in two (2) equal installments of

1 \$661,848.05, which payments shall be in full satisfaction of the EDD Claim.

2 **4.7 Class 7 (Local 39 Claim).**

3 The Local 39 Pension Claim shall be paid in full over ten (10) years in annual installments
4 of \$31,480.99. The Local 39 Health Claim shall be paid at a 50% discount over nine (9) years in
5 annual installments of \$8,214.98. The liquidated damages and interest asserted in the Local 39
6 Claim shall not be paid.

7 **ARTICLE V.**

8 **FUTURE OF THE DISTRICT**

9 **5.1 Creation of the Reorganized District.**

10 Upon the Effective Date, the District, as discharged in the manner set forth in Paragraph
11 7.1 below, shall be reorganized into the Reorganized District.

12 **5.2 Governance of the Reorganized District.**

13 The Reorganized District shall remain a separate and distinct legal entity and shall
14 continue to be governed by its Board of Directors. After the Effective Date, the Reorganized
15 District will work with the County to sponsor special legislation that will replace District board
16 elections and an elected board with a governing body appointed by the County Board of
17 Supervisors. This change in governance would also accommodate a change in management of
18 the Reorganized District from independently employed staff to an arrangement with the County
19 such that existing County Health Services administrative staff and resources could cover the
20 administrative needs of the Reorganized District.

21 **5.3 Repayment of Creditors.**

22 Following the Effective Date, the Reorganized District will focus its operations on making
23 the payments to creditors envisaged by the Plan.

24 **5.4 Return to Provision of Healthcare Services.**

25 Following the Effective Date, to the extent of available cash after payment of all liabilities
26 assumed under the Plan, the Reorganized District intends on resuming providing healthcare
27 services to the residents of the District and County. At this time the nature, timing and cost of
28 such healthcare services has not been determined, however, at all times the Reorganized District

1 will first satisfy its obligations under the Plan before expending money on healthcare services.

2 **ARTICLE VI.**

3 **MEANS FOR IMPLEMENTATION OF THE PLAN**

4 **6.1 Sale of the Hospital.**

5 The District has entered into a contract with LRC to sell the Hospital to LRC for \$13
6 million. Pursuant to the Plan, the Hospital will be sold to LRC free and clear of liens, claims, and
7 encumbrances, including any liens, claims, or encumbrances of the Cellular Rights Parties, for
8 \$13 million pursuant to, *inter alia*, Sections 1123(a)(5), 1123(b)(4) and (6) and 105 of the
9 Bankruptcy Code. The Reorganized District shall be authorized to close the sale of the Hospital
10 to LRC and to execute such documents as necessary to close the sale and to pay any closing
11 expenses, commissions, and taxes as required. The Cellular Rights Parties shall, upon the earlier
12 of the closing of the Hospital sale or ten (10) days of the Effective Date: (i) remove the Cell
13 Boxes from the Hospital roof and otherwise vacate the Hospital; and (ii) otherwise cooperate and
14 not interfere with the sale of the Hospital to LRC, including by executing quitclaim deeds of any
15 interest in or lien on the Hospital.

16 **6.2 The Disputed Claims Reserve.**

17 The Disputed Claims Reserve will be a separate account or accounting reserve maintained
18 by the Reorganized District for the benefit of holders of Claims that are not Allowed Claims. As
19 each Claim becomes an Allowed Claim, the Reorganized District will transfer the amount
20 reserved for that Claim into the appropriate fund and the holder will be entitled to receive any
21 Distributions that have been made and all future Distributions. When a Claim is disallowed by
22 order of the Bankruptcy Court, the Reorganized District will also transfer the amount reserved for
23 that Claim into the appropriate fund but the holder of the Claim will not be entitled to any
24 Distributions.

25 **6.3 Distributions to Holders of Allowed Claims.**

26 **6.3.1 Effective Date Payments**

27 Within seventy-five (75) days of the Effective Date, the Reorganized District shall pay in
28 full, in Cash, all Non-Classified Allowed Claims then payable under the Plan as set forth in

1 Article III.

2 **6.3.2 Distributions to Allowed Claims in Class 1**

3 All Distributions to holders of Allowed Class 1 Claims shall be made in accordance with
4 the terms of the COPs Documents, as modified by this Plan. The County shall continue to pay
5 the Parcel Tax Revenues to the Trustee, who shall: (1) disburse funds to the COPs Holders in
6 accordance with the COPs Documents in the amounts set forth in the COPs Amortization Table;
7 and (2) promptly pay all Excess Parcel Tax Proceeds and Parcel Tax Reserve to the District.

8 **6.3.3 Distributions to Allowed Claims in Class 2**

9 The Class 2 distribution to the County shall be made by the Reorganized District directly
10 to the County within twenty-four (24) months of the Effective Date.

11 **6.3.4 Distributions to Allowed Claims in Class 3**

12 All Distributions made to holders of Allowed Class 3 Claims shall be made by Matrix, as
13 disbursing agent for the Reorganized District. The Reorganized District shall pay to Matrix all
14 funds to be disbursed to holders of Allowed Class 3 Claims, and Matrix shall subsequently
15 disburse funds to such holders in the manner set forth in the WCCHD Successor Pension Plan.
16 Notwithstanding the foregoing, nothing contained herein is intended to modify, alter, amend, or
17 otherwise change the terms of the trust agreement entered into by WCCHD and PW Trust
18 Company (to which Matrix is an assignee) and the obligations of the parties thereunder, nor is it
19 intended to impose any additional obligations or liabilities on the part of Matrix, whether to the
20 District, the Reorganized District and any or all beneficiaries/retirees of the WCCHD Successor
21 Pension Plan.

22 **6.3.5 Distributions to Allowed Claims in Class 4**

23 All Distributions made to CNA or the beneficiaries of the CNA Claim shall be made by
24 MidAmerica or such other disbursing agent appointed by CNA. The Reorganized District shall
25 pay to MidAmerica all funds to be disbursed to CNA, and MidAmerica shall subsequently
26 disburse funds to CNA or the beneficiaries of the CNA Claim along with the \$212,292.13
27 currently held by MidAmerica.
28

1 **6.3.6 Distributions to Allowed Claims in Class 5**

2 6.3.6.1 Initial Distribution

3 The Reorganized District will make an Initial Distribution to the holders of Allowed
4 Claims in Class 5 within one hundred and eighty (180) calendar days after the Effective Date.
5 Simultaneously, the Reorganized District will transfer an amount of funds to the Disputed Claims
6 Reserve sufficient to ensure a *pro rata* distribution to all subsequently Allowed Claims in the
7 manner set forth in Paragraph 6.2 of this Plan. The Reorganized District shall have one hundred
8 and eighty (180) calendar days after the Effective Date, unless such period of time is extended by
9 the Court for cause to object to Class 5 claims.

10 6.3.6.2 Subsequent Distributions

11 The Reorganized District will make subsequent distributions to allowed claims in Class 5
12 in 2019 and 2020 in accordance with the terms of this Plan.

13 6.3.6.3 Final Distribution

14 The Reorganized District shall make a Final Distribution to holders of Allowed Claims in
15 Class 5 within thirty (30) days of the date that all Class 5 Claims become Allowed Claims or are
16 disallowed by Final Order of the Bankruptcy Court.

17 **6.3.7 Distributions to Allowed Claims in Class 6**

18 The Reorganized District will make an initial distribution to EDD in the amount of
19 \$661,848.05 within ninety (90) calendar days after the Effective Date. The Reorganized District
20 will make a second and final distribution to EDD in the amount of \$661,848.05 on or about the
21 first anniversary of the initial distribution.

22 **6.3.8 Distributions To Allowed Claim in Class 7**

23 The Reorganized District will pay the Local 39 Pension Claim in Class 7 over ten (10)
24 years in annual installments and will pay the Local 39 Health Claim over nine (9) years at a 50%
25 discount in annual installments.

26 **6.4 Postconfirmation Operations.**

27 **6.4.1 The Creditors' Committee**

28 Upon the Effective Date, the Committee shall be dissolved and the members of the

1 Committee shall be released and discharged from any further rights and duties in connection with
2 the Chapter 9 Case, except with respect to any disputes over the amount, allowance or payment of
3 Non-Classified Claims payable to any of its professionals for services rendered prior to the
4 Effective Date.

5 **6.4.2 Non-Classified Claims Bar Date**The deadline for filing Non-Classified Claims
6 entitled to treatment as administrative Claims in accordance with Article III of the Plan shall be
7 sixty (60) days after the Effective Date. Holders of administrative Claims based on liabilities
8 incurred in the ordinary course of the Debtor's business following the Petition Date or orders of
9 the Bankruptcy Court shall not be required to comply with the Non-Classified Claims Bar Date,
10 provided that, (a) such holders of Administrative Claims based on liabilities incurred in the
11 ordinary course of business have otherwise submitted an invoice, billing statement or other
12 evidence of indebtedness to the District in the ordinary course of business, and (b) such Claims
13 are not past due according to their terms.

14 **6.4.3 Consequences of Untimely Administrative Claim**

15 **ANY PERSON FAILING TO TIMELY FILE AN ADMINISTRATIVE CLAIM**
16 **SHALL BE FOREVER BARRED FROM MAKING SUCH A CLAIM OR FUTURE**
17 **APPLICATION AND SHALL NOT PARTICIPATE IN ANY DISTRIBUTION ON**
18 **ACCOUNT OF SUCH AN ADMINISTRATIVE CLAIM.**

19 **6.5 Professional Fees**

20 All fees and expenses incurred by professionals engaged by the Reorganized District after
21 the Effective Date shall be paid in full by the Reorganized District.

22 **6.6 Treatment of Disputed Claims.**

23 **6.6.1 Disputed Claims Reserve**Within sixty (60) days of the Effective Date, the
24 Reorganized District shall establish (or account for) a Disputed Claims Reserve that is adequate
25 and sufficient for the payment of Distributions contemplated by the Plan to the holders of
26 Disputed Claims in Class 5. At such time as a Disputed Class 5 Claim becomes an Allowed
27 Class 5 Claim, the previous Distributions due on account of such Allowed Claim shall be released
28

1 from the Disputed Claims Reserve and placed in the appropriate fund for Distribution to the
2 holder of such Allowed Claim.

3 **6.7 Calculation of Appropriate Reserves.**

4 Except to the extent that the Reorganized District and the holder of the Claim agree, or the
5 Bankruptcy Court shall determine, that a sufficient reserve is less than the full amount of the
6 Claim, in determining the amount to be held in the Disputed Claims Reserve, the appropriate
7 calculations shall be made as if all Disputed Class 5 Claims were Allowed Class 5 Claims.

8 **6.8 Treatment of Unclaimed Property.**

9 If a Distribution to a holder of an Allowed Claim becomes Unclaimed Property, the
10 Reorganized District will make a reasonable effort to reach the holder of the Allowed Claim after
11 which the holder of the Allowed Claim shall cease to be entitled to the Distribution or any further
12 Distributions. In the event that any Distributions from an interim Distribution become Unclaimed
13 Property, all such Unclaimed Property shall be returned to the appropriate fund for distribution to
14 creditors or, if such fund balance reverts to the Reorganized District, to the Reorganized District.
15 In the event that any Distributions from the Final Distribution become Unclaimed Property, all
16 such Unclaimed Property shall revert to the Reorganized District.

17 **6.9 De Minimis Distributions and Rounding of Distributions.**

18 The Reorganized District shall not be required to make a Distribution to the holder of an
19 Allowed Claim if the amount of the Distribution is less than \$10. All Cash not so distributed
20 shall remain in the appropriate fund. The Reorganized District may round all Distributions to the
21 nearest whole dollar amount.

22 **ARTICLE VII.**

23 **EFFECT OF CONFIRMATION**

24 **7.1 Discharge of the District.**

25 Pursuant to Section 944 of the Bankruptcy Code, upon the Effective Date the District shall
26 be discharged from all debts (as defined in the Bankruptcy Code) of the District and Claims
27 against the District other than: (1) any debt specifically and expressly excepted from discharge by
28 this Plan or the Confirmation Order; or (2) any debt owed to an entity that, before the

1 Confirmation of this Plan, had neither notice nor actual knowledge of the Chapter 9 Case.

2 The rights afforded in this Plan and the treatment of holders of Claims shall be in
3 exchange for and in complete satisfaction, discharge, and release of all Claims of any nature
4 whatsoever arising on or before the Effective Date, known or unknown, whether against the
5 District or any of its properties, assets, or interests in property. Except as otherwise explicitly
6 provided herein, upon the Effective Date, all Claims against the District shall be and shall be
7 deemed to be satisfied, discharged, and released in full, whether or not such Claim is an Allowed
8 Claim, and whether or not such holder has voted to accept the Plan.

9 **7.2 Injunction.**

10 **EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN, ALL**
11 **ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD PRE-EFFECTIVE DATE**
12 **CLAIMS SHALL BE PERMANENTLY ENJOINED FROM AND AFTER THE**
13 **EFFECTIVE DATE FROM: (1) COMMENCING OR CONTINUING IN ANY MANNER**
14 **ANY ACTION OR OTHER PROCEEDING OF ANY KIND WITH RESPECT TO ANY**
15 **SUCH PRE-EFFECTIVE DATE CLAIM AGAINST THE DISTRICT OR ITS**
16 **PROPERTY, INCLUDING, WITHOUT LIMITATION, THE HOSPITAL;**
17 **(B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY**
18 **MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST**
19 **THE DISTRICT OR ITS PROPERTY WITH RESPECT TO SUCH PRE-EFFECTIVE**
20 **DATE CLAIMS; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR**
21 **ENCUMBRANCE OF ANY KIND AGAINST THE DISTRICT OR ITS PROPERTY,**
22 **INCLUDING, WITHOUT LIMITATION, THE HOSPITAL; AND (D) ASSERTING ANY**
23 **RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST**
24 **ANY OBLIGATION DUE TO THE REORGANIZED DISTRICT WITH RESPECT TO**
25 **SUCH PRE-EFFECTIVE DATE CLAIM.**

26 **IN ADDITION, AND WITHOUT IN ANY WAY LIMITING THE GENERALITY**
27 **OF THE FOREGOING, ALL CREDITORS OF THE DISTRICT, INCLUDING,**
28 **WITHOUT LIMITATION, THE CELLULAR RIGHTS PARTIES, SHALL BE**

1 PERMANENTLY ENJOINED FROM AND AFTER THE EFFECTIVE DATE FROM:
2 (I) ASSERTING ANY CLAIM OR INSTITUTING ANY ACTION AGAINST LRC
3 RELATING TO THE SALE OF HOSPITAL; (II) ASSERTING ANY CLAIM OR LIEN
4 AGAINST OR INTEREST IN THE HOSPITAL ARISING PRIOR TO THE EFFECTIVE
5 DATE OF THE PLAN; OR (III) FROM INTERFERING IN ANY WAY WHATSOEVER
6 WITH THE RIGHTS OF LRC WITH RESPECT TO ITS OWNERSHIP OF THE
7 HOSPITAL.

8 **7.3 Term of Existing Injunctions or Stays.**

9 Unless otherwise provided in the Confirmation Order, all injunctions or stays provided for
10 in the Chapter 9 Case pursuant to Sections 105, 362, or 922 of the Bankruptcy Code, or
11 otherwise, and in existence on the Confirmation Date shall remain in full force and effect until the
12 Effective Date.

13 **7.4 Release and Indemnification of the Board of Directors and Officers of the District.**

14 UPON THE EFFECTIVE DATE, EACH OF THE DESIGNATED RESPONSIBLE
15 INDIVIDUALS AND ALL PROFESSIONALS EMPLOYED BY THE DISTRICT SHALL
16 BE FOREVER RELEASED AND DISCHARGED FROM ALL CLAIMS HELD BY ALL
17 ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD PRE-EFFECTIVE DATE
18 CLAIMS AGAINST THE DISTRICT, WHETHER OR NOT SUCH CLAIM IS AN
19 ALLOWED CLAIM, AND WHETHER OR NOT SUCH HOLDER HAS VOTED TO
20 ACCEPT THE PLAN.

21 THE REORGANIZED DISTRICT WILL INDEMNIFY AND DEFEND THE
22 DESIGNATED RESPONSIBLE INDIVIDUALS FOR ANY CLAIMS ASSERTED
23 AGAINST THEM IN THEIR CAPACITIES AS DESIGNATED RESPONSIBLE
24 INDIVIDUALS OF THE DISTRICT AND REORGANIZED DISTRICT, UNTIL THE
25 ENTRY OF A FINAL DECREE AND ORDER CLOSING THE CHAPTER 9 CASE
26 OTHER THAN WITH RESPECT TO CLAIMS BASED ON GROSS NEGLIGENCE OR
27 WILLFUL MISCONDUCT. THE REORGANIZED DISTRICT MAY ENTER INTO
28 SUCH AGREEMENTS AS ARE REASONABLY NECESSARY TO IMPLEMENT THIS

1 **PROVISION.**

2 **7.5 Exculpation.**

3 UPON CONFIRMATION OF THE PLAN, THE DESIGNATED RESPONSIBLE
4 INDIVIDUALS, MEMBERS OF THE COMMITTEE, FOX ROTHSCHILD LLP,
5 DENTONS US LLP, ARCHER NORRIS, AND OPTIMUM FINANCIAL ADVISORS
6 SHALL BE EXCULPATED FROM ANY LIABILITY OF ANY KIND OR NATURE
7 WHATSOEVER, EXCEPT FOR GROSS NEGLIGENCE OR WILLFUL MISCONDUCT,
8 IN CONNECTION WITH ANY ACTIONS TAKEN OR NOT TAKEN FROM THE
9 PETITION DATE TO THE EFFECTIVE DATE, INCLUDING WITHOUT
10 LIMITATION, ANY ACTIONS OR INACTIONS IN CONNECTION WITH THE
11 DISCLOSURE STATEMENT AND PLAN.

12 **7.6 Plan Binding.**

13 Except as provided in this Plan or in the Confirmation Order, on the Effective Date, the
14 Plan shall be binding on all holders of Claims existing as of the date of Confirmation whether or
15 not such holder has filed a Claim in the Chapter 9 Case, whether or not such Claim is an Allowed
16 Claim, and whether or not such holder has voted to accept the Plan. No holder of a Claim will
17 have any rights of action on account of such Claim except as set forth in the Plan.

18 **ARTICLE VIII.**

19 **VESTING OF TITLE**

20 Except as provided in this Plan or in the Confirmation Order, on the Effective Date the
21 Reorganized District shall be vested with all of the property of the District, free and clear of all
22 Claims or liens arising prior to Confirmation. After Confirmation, the Reorganized District shall
23 operate free of any restrictions of the Bankruptcy Code based on the pendency of the Chapter 9
24 Case.

25 **ARTICLE IX.**

26 **RETENTION AND ENFORCEMENT OF CLAIMS**

27 Pursuant to section 1123(b)(3) of the Bankruptcy Code, the Reorganized District will
28 succeed to, and may enforce, any and all claims held by the District. This Plan expressly reserves

1 all claims, defenses, powers, and interests of the District for the Reorganized District for the
2 purposes of objecting to the allowance of Claims, the subordination of Claims, bringing
3 Avoidance Actions, and for the purpose of seeking recovery of property, damages, or equitable
4 relief. Only the Reorganized District may object to Claims or bring actions on behalf of the
5 District.

6 **ARTICLE X.**

7 **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

8 **10.1 Assumed Executory Contracts and Unexpired Leases.**

9 All executory contracts and unexpired leases: (1) to which the District was a party on the
10 Petition Date and that are either: (a) listed on Exhibit 1 to this Plan, as such Exhibit 1 may be
11 amended until Confirmation; (b) assumed by prior orders of the Bankruptcy Court; or (c) are
12 assumed by the District prior to the Effective Date, and which assumption has been approved by
13 an order of the Bankruptcy Court prior to the Effective Date, or (2) that have been entered into
14 during the pendency of the Chapter 9 Case, shall be deemed assumed pursuant to section 365(a)
15 of the Bankruptcy Code.

16 **10.2 Cure of Prepetition Default Amounts.**

17 For those executory contracts and unexpired leases being assumed on the Effective Date,
18 if such executory contract or unexpired lease is in default, within thirty (30) days of the Effective
19 Date the Reorganized District will pay to the counterparty to the executory contract the cure
20 amount set forth on Exhibit 1 to this Plan unless an objection to such Cure Payment is filed with
21 the Bankruptcy Court and served on counsel to the District on or prior to the date set by the
22 Bankruptcy Court for filing objections to Confirmation, and the Bankruptcy Court, after notice
23 and a hearing, determines that the District is obligated to pay a different amount as a Cure
24 Payment under section 365 of the Bankruptcy Code. Any person that fails to object to the Cure
25 Payment specified on Exhibit 1 to this Plan on or prior to the date set by the Bankruptcy Court for
26 filing objections to Confirmation, shall be forever barred from: (a) asserting any other, additional
27 or different Cure Payment; and (b) sharing in any other, additional, or different Distribution under
28 the Plan on account of such Cure Payment.

1 **10.3 Rejection of Crown Castle Successor Lease.**

2 Upon the Effective Date, the Crown Castle Successor Lease shall be rejected pursuant to
3 Section 365(a) of the Bankruptcy Code to the extent it is deemed to be an executory contract.

4 **10.4 Rejection of Executory Contracts and Unexpired Leases.**

5 Except for: (a) those executory contracts and unexpired leases set forth on Exhibit 1; or
6 (b) otherwise described in Section 10.1, above, all other executory contracts and unexpired leases
7 to which the District was a party as of the Filing Date shall be, and hereby are rejected, effective
8 as of the Effective Date. While the District does not believe it is a party to any executory contract
9 or unexpired lease with any of the Cellular Rights Parties other than potentially the contract or
10 lease with Crown Castle, to the extent such an executory contract or unexpired lease is deemed to
11 exist, such executory contract or unexpired lease shall be deemed rejected as of the Effective
12 Date.

13 **10.5 Claims Arising from the Rejection of Executory Contracts and Unexpired Leases**

14 **PROOFS OF CLAIM FOR CLAIMS ARISING FROM THE REJECTION OF**
15 **EXECUTORY CONTRACTS OR UNEXPIRED LEASES MUST BE FILED WITH THE**
16 **BANKRUPTCY COURT AND SERVED ON THE REORGANIZED DISTRICT WITHIN**
17 **THIRTY (30) CALENDAR DAYS OF THE EFFECTIVE DATE UNLESS THE HOLDER**
18 **HAS PREVIOUSLY FILED SUCH PROOF OF CLAIM OR SUCH CLAIMS SHALL BE**
19 **FOREVER BARRED AND THE HOLDERS THEREOF SHALL NOT PARTICIPATE IN**
20 **ANY DISTRIBUTIONS UNDER THE PLAN.** The foregoing provision does not extend any
21 deadline for filing proofs of Claim arising from the rejection of executory contracts or unexpired
22 leases that was established by prior Bankruptcy Court order. Any Allowed Claims of parties to
23 rejected executory contracts or unexpired leases shall be treated as Class 5 Claims under this
24 Plan.

25 **ARTICLE XI.**

26 **MODIFICATION OF PLAN**

27 The District, as Plan proponent, may modify the Plan prior to Confirmation if the Plan, as
28 modified, meets the requirements of the Bankruptcy Code. Such modification shall be deemed

1 accepted or rejected by a holder of a Claim that has previously accepted or rejected the Plan
2 unless, within the time fixed by the Bankruptcy Court, such holder changes such holder's
3 previous acceptance or rejection. In the event that the Plan requires modification after
4 Confirmation, the Reorganized District will be deemed to be the Plan proponent.

5
6 **ARTICLE XII.**

7 **USE OF BANKRUPTCY CODE SECTION 1129(b)**

8 If any class of Claims fails to accept this Plan by the requisite majorities in number and
9 amount, as required by section 1126 of the Bankruptcy Code, the District may, at any time,
10 invoke the provisions of section 1129(b) of the Bankruptcy Code.

11 **ARTICLE XIII.**

12 **RETENTION OF JURISDICTION**

13 Notwithstanding Confirmation of this Plan or the Effective Date having occurred, the
14 Bankruptcy Court shall retain full and exclusive jurisdiction as provided in 28 U.S.C. § 1334 as to
15 the provisions, purposes, and intent of this Plan including, without limitation:

- 16 • Determination of the allowability and classification of Claims upon requests for payment
17 of Claims or upon the objection by the Reorganized District to such Claims;
- 18 • Resolution of controversies and disputes regarding interpretation of this Plan or the
19 Confirmation Order;
- 20 • Implementation of the provisions of this Plan or the Confirmation Order, and entry of
21 orders in aid of Confirmation including orders to protect the Reorganized District or
22 persons included in Subsections 7.2, 7.4, and 7.5 of the Plan from creditor action enjoined
23 pursuant to Confirmation;
- 24 • Enforcement of the terms of the Plan against the Trustee and Cellular Rights Parties;
- 25 • Modification of the Plan pursuant to section 1127 of the Bankruptcy Code;
- 26 • Adjudication of any Claims or causes of action, including Avoidance Actions, brought by
27 the Reorganized District, or any claims or causes of action brought against the
28 Reorganized District; and

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- Entry of an order closing the Chapter 9 Case.

Dated: August 3, 2017

WEST CONTRA COSTA HEALTHCARE
DISTRICT

By: /s/ Kathy D. White

Chief Executive Officer and
Designated Responsible Individual

EXHIBIT 1

Executory Contracts and Unexpired Leases to be Assumed & Associated Cure Payments¹

| Name of Contract | Date of Contract | Counterparty | Cure Amount |
|--|-------------------|--|--------------------------|
| Purchase and Sale Agreement | November 15, 2016 | Lytton Rancheria of California | \$0 |
| Trust Agreement | | MG Trust Company, LLC d/b/a Matrix Trust Company | Estimated at \$13,500.00 |
| Engagement Letter for Actuarial Services | May 15, 2017 | Willis Towers Watson Delaware Inc. | \$0 |
| Service Agreement | August 6, 2015 | Conduent, Inc., f/k/a Xerox Consultant Company, Inc. | \$45,000 |
| Agreement | | Lincoln Financial Advisors | \$0 |
| Agreement | | MidAmerica | \$0 |

¹ The District reserves the right to modify this Exhibit prior to Plan confirmation. Any cure amounts listed shall be paid within thirty (30) days of the Effective Date.