
West Contra Costa Healthcare District
Board of Directors

Wednesday, June 7, 2017
4:00 PM
San Pablo City Council Chambers
13831 San Pablo Avenue
San Pablo, CA

WEST CONTRA COSTA HEALTHCARE DISTRICT
DOCTORS MEDICAL CENTER

BOARD OF DIRECTORS MEETING

WCCHD DOCTORS MEDICAL CENTER
BOARD OF DIRECTORS
MEETING
June 7, 2017 – 4:00 P.M. PST
San Pablo City Council Chambers
13831 San Pablo Ave.
San Pablo, CA 94806

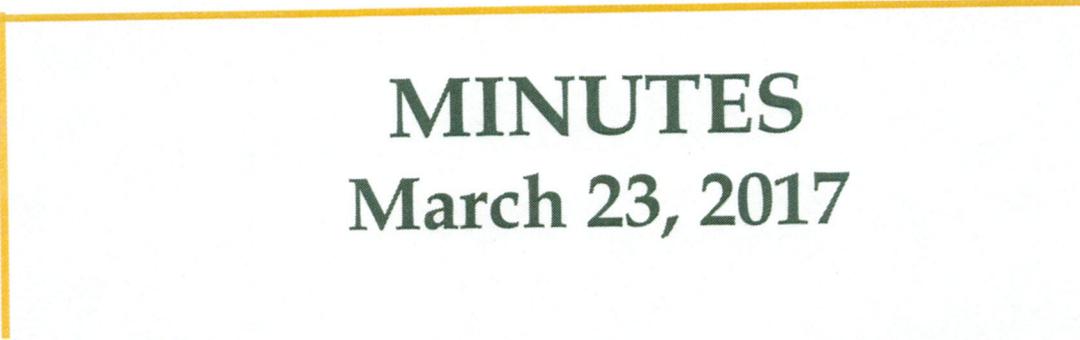
Board of Directors
Nancy Casazza, Chair
Irma Anderson
Deborah Campbell
William van Dyk
Beverly Wallace

N. Casazza via phone from:
Hilgard House Hotel
927 Hilgard Ave.,
Los Angeles, CA 92024

AGENDA

1. CALL TO ORDER B. Wallace, Vice Chair
2. ROLL CALL
3. PUBLIC COMMENTS B. Wallace, Vice Chair
[At this time persons in the audience may speak on any items not on the agenda and any other matter within the jurisdiction of the District Board]
4. APPROVAL OF MINUTES OF March 23, 2017
5. ADJOURN TO CLOSED SESSION
 - a. Conference with Real Property Negotiators (Gov. Code Section 54956.8) Regarding Hospital Property Sale and Related Wireless Company Relocation and Lease Termination, in Settlement of Litigation (Govt. Code Section 54956.9(d)(1),(2) and (4)).
E. Shaffer, Legal Counsel
Agency Negotiators: K. White, E. Shaffer
 - b. Conference with Legal Counsel, existing litigation (Government Code 54956.9(d)(1). In Re: West Contra Costa County Healthcare District: United States Bankruptcy Court for the Northern District of California: Chapter 9 Case No. 16-42917
C. Coffey, Legal Counsel
G. Marsh, Legal Counsel
6. ANNOUNCEMENT OF REPORTABLE ACTION(S) TAKEN IN CLOSED SESSION, IF ANY

7. **ACTION ON RECOMMENDATION REGARDING DISPOSITION OF PATIENT MEDICAL RECORDS** B. Ellerston, Interim CNO
- a. Presentation
 - b. Public Comment
 - c. Discussion
 - d. *ACTION: Approval of recommendation regarding disposition of patient medical records*
8. **CONSIDERATION OF COUNTY REQUEST FOR BOND REFINANCING SUBORDINATION** C. Coffey, Legal Counsel
- a. Presentation
 - b. Public Comment
 - c. Discussion
 - d. *ACTION: Approval of consideration of county request for bond refinancing subordination*
9. **ACTION ON AUTHORIZATION TO FILE A DISCLOSURE STATEMENT AND PLAN OF ADJUSTMENT** G.W. Marsh, Bankruptcy Counsel
- a. Presentation
 - b. Public Comment
 - c. Discussion
 - d. *ACTION: Approval of filing disclosure statement and plan of adjustment*
10. **ADJOURNMENT OF MEETING**



MINUTES
March 23, 2017

Agenda Item 4

WEST CONTRA COSTA HEALTHCARE DISTRICT

BOARD OF DIRECTORS

WCCHD DOCTORS' MEDICAL CENTER
BOARD OF DIRECTORS
March 23, 2017 – 4:00 P.M.
San Pablo City Council Chambers
13831 San Pablo Ave.
San Pablo, CA 94806

Board of Directors

Bill van Dyk
Deborah Campbell
Irma Anderson
Nancy Casazza
Beverly Wallace

MINUTES

1. **CALL TO ORDER**

The meeting was called to order at 4:00 P.M.

2. **ROLL CALL**

Quorum was established and roll was called:

Present:

*Nancy Casazza
Bill van Dyk
Beverly Wallace
Irma Anderson*

Absent:

Deborah Campbell

3. **PUBLIC COMMENTS**

There were no public comments.

4. **APPROVAL OF MINUTES OF February 1, 2017**

The motion made by Director Wallace and seconded by Director Anderson to approve the February 1, 2017 minutes passed unanimously.

5. **CLOSED SESSION**

The meeting adjourned to Closed Session at 4:10 pm.

6. **ANNOUNCEMENT OF REPORTABLE ACTION(S) TAKEN IN CLOSED SESSION, IF ANY**

There were no reportable actions.

7. **REVISING DISTRICT BYLAWS POST CLOSURE**

Due to the closure of the hospital, the District Bylaws were revised to reflect a non-operating hospital. The revised Bylaws also reflect the removal of medical staff functions, the removal of the Governing Body, as well as the removal of other hospital operations. The revised Bylaws were provided for review and approval.

PUBLIC COMMENTS

There were no public comments.

The motion made by Director van Dyk and seconded by Director Anderson to approve the revised Bylaws as presented passed unanimously.

8. ACCEPTING COMCAST EASEMENT QUITCLAIM DEED

A Resolution to accept the Comcast Quitclaim Deed was presented for review and approval.

PUBLIC COMMENTS

There were no public comments.

The motion made by Director van Dyk and seconded by Director Wallace to approve the accepted Comcast Easement Quitclaim Deed passed unanimously.

THE MEETING WAS ADJOURNED AT 5:30 P.M.

**CONSIDERATION OF
COUNTY REQUEST FOR
BOND REFINANCING
SUBORDINATION**

Agenda Item 8

**Department of
Conservation and
Development**

30 Muir Road
Martinez, CA 94553

Phone: 1-855-323-2626

**Contra
Costa
County**



John Kopchik
Director

Aruna Bhat
Deputy Director

Jason Crapo
Deputy Director

Maureen Toms
Deputy Director

Kara Douglas
Assistant Deputy Director

Victoria Mejia
Business Operations Manager

May 9, 2017

West Contra Costa Hospital District
2000 Vale Road
San Pablo, CA 94806

Re: Subordination Request in connection with the Successor Agency to the Contra Costa County Redevelopment Agency issuance of 2017 Tax Allocation Refunding Bonds

Ladies and Gentlemen:

The Successor Agency to the Contra Costa County Redevelopment Agency (the "Successor Agency"), as allowed under Health and Safety Code Section 34177.5, intends to issue 2017 Tax Allocation Refunding Bonds (the "Bonds") with respect to the outstanding series of tax allocation bonds totaling \$86,100,000 associated with the five Contra Costa County Redevelopment Agency ("Former Agency") project areas: (1) Contra Costa Centre (formerly Pleasant Hill BART Station) Redevelopment Project Area; (2) North Richmond Redevelopment Project Area; (3) Bay Point (formerly West Pittsburg) Redevelopment Project Area; (4) Rodeo Redevelopment Project Area; and (5) Montalvin Manor Redevelopment Project Area.

The proceeds of the Bonds will be used to repay outstanding loans (the "Loans") made by the Contra Costa County Public Financing Authority to the Former Agency pursuant to loan agreements (the "Loan Agreements") with respect to the five redevelopment project areas. The proposed refunding at today's interest rates, is expected to result in savings of approximately \$14,000,000 over the term of the Bonds. As security for its obligation to make payments on the Bonds, the Successor Agency will make a pledge of Redevelopment Property Tax Trust Fund ("RPTTF") revenues from the applicable redevelopment project areas.

By this letter we request that the West Contra Costa Hospital District (the "District") subordinate its right to receive certain statutory and contract payments from the RPTTF revenue, to the Successor Agency's debt service obligations on the Bonds.

Pursuant to Sections 33607.5, 33607.7 and Section 34183 of the California Health and Safety Code, the District is entitled to receive statutory pass-through payments (the "Statutory Payments") from the RPTTF revenue allocated to the Successor Agency from the Rodeo, North Richmond and Montalvin Manor Redevelopment Project Areas (the "Project Areas").

Health and Safety Code Section 34177.5 provides for the subordination of the District's right to receive the Statutory Payments to the Successor Agency's debt service obligation under the Bonds upon a showing by the Successor Agency that there will be sufficient revenue to pay the debt service on the Bonds affecting the Project Areas, as well as meet the Successor Agency's other obligations, including making the Statutory Payments to the District pursuant to Health and Safety Code Section 34183(a)(1). Accordingly, attached as Exhibit A to this letter, is a debt coverage table from the Successor Agency's fiscal consultant (the "Debt Coverage Table") which shows that the Successor Agency will have sufficient revenue to repay the Bonds associated with the Project Areas without demand being made on the Statutory Payments due the District under Section 34183(a)(1).

Under the terms of Health and Safety Code Section 34177.5(c)(3), the District is required to approve or disapprove the request for subordination with respect to the Bonds **within forty-five (45) days after receipt of this letter**. Under Section 34177.5(c)(3), the District may disapprove the request only if it finds, based upon substantial evidence, that the Successor Agency will not be able to pay debt service on the Bonds, as well as make the Statutory Payments to the District under Section 34183(a)(1). The attached Debt Coverage Table demonstrates the Successor Agency's ability to make such payments. If the District does not act within forty-five (45) days after receipt of this request, the request for subordination of the Statutory Payments with respect to the refunding Bonds associated with the Project Areas shall be deemed approved, all in accordance with Section 34177.5(c)(3).

As a result of the adoption or amendments to the redevelopment plans for the Contra Costa Centre and Rodeo Redevelopment Project Areas, specified taxing entities became entitled to receive statutory AB 1290 pass-through payments pursuant to Health and Safety Code Section 33607.7. In the process of preparing for the issuance of the Bonds, the Successor Agency identified a shortfall in past years' AB 1290 pass-through payments resulting from amendments to the Contra Costa Centre and Rodeo Redevelopment Plans to some of those taxing entities totaling approximately \$2.3 million. The Successor Agency, in cooperation with the County Auditor-Controller, intends to make up the shortfall in AB 1290 pass-through payments during Fiscal Year 2017/2018, if not sooner. The Debt Coverage Table demonstrates the Successor Agency's ability to make such payments without impacting its ability to pay debt service on the Bonds and make payments owed to the taxing entities on a current basis. Only certain taxing entities are impacted by the shortfall. The impacted taxing entities will receive a separate letter from the County-Auditor Controller identifying the AB 1290 pass-through payment shortfall due to the impacted taxing entity. The AB 1290 pass-through payments are subordinate to the debt payment on the existing bonds.

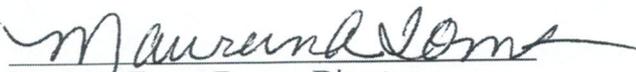
Given that the Successor Agency has demonstrated its ability to pay the debt service payments and the Statutory Payments under Health and Safety Code Section 34177.5, we request that the District subordinate its rights to pass-through payments under Sections 33607.5, 33607.7 and 34183(a)(1) of the California Health and Safety Code and any applicable outstanding AB 1290

West Contra Costa Hospital District
May 9, 2017
Page 3

pass-through payments. Attached as Exhibit B is a form of Subordination Certificate providing for the District to certify as to the subordination under Sections 33607.5, 33607.7 and 34183(a)(1) of the California Health and Safety Code. Please execute and return the Subordination Certificate to the Successor Agency at your earliest convenience. If you have any questions or comments do not hesitate to give me a call. Thank you for your consideration

Sincerely,

CONTRA COSTA COUNTY SUCCESSOR AGENCY

By: 
Maureen Toms, Deputy Director
Contra Costa County Department of
Conservation and Development

Enclosures:
Debt Coverage Table
Subordination Certificate

EXHIBIT A

DEBT COVERAGE TABLE

TAX INCREMENT PROJECTIONS AND BOND DEBT SERVICE COVERAGE

(000's Omitted)

| Fiscal Year | (1) Total Value | | Value Over Base Of 448,944 | Tax (2) Increment | Unitary (3) Tax Revenue | Total Tax Increment | Senior Obligations | | Housing (6) Obligations | Tax Revenue | Estimated Bond Debt Service (7) | Coverage | AB 1280 (8) Tax Sharing | Negotiated Taxing (9) Entity Share | (10) Developer Payment | Net Tax Increment Revenue |
|-------------|-----------------|--------------------|----------------------------|-------------------|-------------------------|---------------------|-----------------------------|------------|-------------------------|-------------|---------------------------------|----------|-------------------------|------------------------------------|------------------------|---------------------------|
| | Total Value | Over Base Of Value | | | | | Property Tax Admin (5) Fees | Adjustment | | | | | | | | |
| 2016 | - | 2017 | \$2,301,756 | \$1,852,812 | \$18,528 | \$103 | \$18,631 | \$1,584 | \$145 | \$1,483 | \$15,410 | N/A | \$881 | \$1,194 | \$500 | \$13,335 |
| 2017 | - | 2018 | 2,372,851 | 1,923,907 | 19,239 | 103 | 19,342 | 1,664 | 151 | 950 | 16,578 | 6,105 | 3,293 | 1,265 | 500 | 5,913 |
| 2018 | - | 2019 | 2,419,170 | 1,970,226 | 19,702 | 103 | 19,806 | 1,745 | 154 | 957 | 16,949 | 6,105 | 1,078 | 1,299 | 500 | 8,465 |
| 2019 | - | 2020 | 2,466,416 | 2,017,472 | 20,175 | 103 | 20,278 | 1,828 | 158 | 964 | 17,328 | 6,105 | 1,185 | 1,333 | 500 | 8,702 |
| 2020 | - | 2021 | 2,514,607 | 2,065,663 | 20,657 | 103 | 20,760 | 1,913 | 162 | 971 | 17,714 | 6,105 | 1,295 | 1,369 | 500 | 8,943 |
| 2021 | - | 2022 | 2,563,761 | 2,114,817 | 21,148 | 103 | 21,251 | 2,000 | 166 | 978 | 18,108 | 6,105 | 1,409 | 1,405 | 500 | 9,186 |
| 2022 | - | 2023 | 2,613,899 | 2,164,955 | 21,650 | 103 | 21,753 | 2,088 | 170 | 986 | 18,510 | 6,105 | 1,547 | 1,442 | 500 | 9,413 |
| 2023 | - | 2024 | 2,665,039 | 2,216,095 | 22,161 | 103 | 22,264 | 2,178 | 173 | 994 | 18,919 | 6,105 | 1,687 | 1,479 | 500 | 9,646 |
| 2024 | - | 2025 | 2,717,202 | 2,268,258 | 22,683 | 103 | 22,786 | 2,269 | 178 | 1,002 | 19,337 | 6,105 | 1,829 | 1,517 | 500 | 9,882 |
| 2025 | - | 2026 | 2,770,409 | 2,321,465 | 23,215 | 103 | 23,318 | 2,363 | 182 | 1,010 | 19,764 | 6,105 | 1,975 | 1,557 | 500 | 10,124 |
| 2026 | - | 2027 | 2,824,679 | 2,375,735 | 23,757 | 103 | 23,861 | 2,458 | 186 | 1,018 | 20,198 | 6,105 | 2,123 | 1,596 | 500 | 10,370 |
| 2027 | - | 2028 | 2,880,035 | 2,431,091 | 24,311 | 103 | 24,414 | 2,556 | 190 | 1,026 | 20,642 | 6,105 | 2,275 | 1,637 | 500 | 10,622 |
| 2028 | - | 2029 | 2,936,498 | 2,487,554 | 24,876 | 103 | 24,979 | 2,655 | 195 | 1,035 | 21,094 | 6,105 | 2,429 | 1,678 | 500 | 10,878 |
| 2029 | - | 2030 | 2,994,090 | 2,545,146 | 25,451 | 103 | 25,555 | 2,756 | 199 | 943 | 21,656 | 6,105 | 2,587 | 1,721 | 500 | 11,240 |
| 2030 | - | 2031 | 3,052,834 | 2,603,891 | 26,039 | 103 | 26,142 | 2,860 | 204 | 952 | 22,126 | 6,105 | 2,748 | 1,764 | 500 | 11,506 |
| 2031 | - | 2032 | 3,112,753 | 2,663,810 | 26,638 | 103 | 26,741 | 2,965 | 208 | 961 | 22,607 | 6,105 | 2,912 | 1,808 | 500 | 11,778 |
| 2032 | - | 2033 | 3,173,871 | 2,724,927 | 27,249 | 103 | 27,353 | 3,073 | 213 | 970 | 23,096 | 6,105 | 3,079 | 1,853 | 500 | 12,056 |
| 2033 | - | 2034 | 3,236,211 | 2,787,267 | 27,873 | 103 | 27,976 | 3,182 | 218 | 980 | 23,596 | 6,105 | 3,249 | 1,898 | 500 | 12,339 |
| 2034 | - | 2035 | 3,299,797 | 2,850,853 | 28,509 | 103 | 28,612 | 3,294 | 223 | 989 | 24,105 | 6,105 | 3,423 | 1,945 | 500 | 12,628 |
| 2035 | - | 2036 | 3,364,655 | 2,915,712 | 29,157 | 103 | 29,260 | 3,408 | 228 | 999 | 24,625 | 3,400 | 3,605 | 1,993 | 500 | 15,620 |
| 2036 | - | 2037 | 3,430,811 | 2,981,867 | 29,819 | 103 | 29,922 | 3,525 | 233 | 1,009 | 25,155 | 3,400 | 3,790 | 2,041 | 500 | 15,916 |

(1) Based on actual values per Contra Costa County Real Property increased by 2 percent per year starting in 2017-18.

(2) Based on the application of 1% tax rate to incremental taxable value.

(3) As reported by the County Auditor-Controller.

(4) Allocations to the taxing entities pursuant to former CRL Section 33676.

(5) Per SB 2557, reflects Project Area share of Contra Costa County's property tax administrative costs.

(6) Housing set-aside no longer required under AB 26 and AB 1484. The amounts shown are payments due under development agreements.

(7) Estimated debt service on the 2017 Refunding Bonds.

(8) Required payments per Section 33607.7 of the CRL. Includes estimate of prior year payments owed but not yet paid that are expected to be allocated in either June 2017 or January 2018. There is some uncertainty about the lien status of these payments but they have been shown as subordinate to debt service on the Bonds.

(9) Reflects tax sharing payments required from the various Project Areas.

(10) Payments owed under the Avalon Agency Assistance Agreement to be made from net tax increment per Section 4.01.

**ACTION ON
AUTHORIZATION TO FILE A
DISCLOSURE STATEMENT
AND PLAN OF ADJUSTMENT**

Agenda Item 9

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5 Los Angeles, CA 90017-5704
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9 WEST CONTRA COSTA HEALTHCARE
10 DISTRICT

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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

Chapter 9

DISCLOSURE STATEMENT FOR THE PLAN
FOR THE ADJUSTMENT OF DEBTS DATED
JUNE 9, 2017

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THIS DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) FOR THE PLAN FOR THE ADJUSTMENT OF DEBTS DATED JUNE 9, 2017 (THE “PLAN”) WAS APPROVED ON _____ BY THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA.

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

THE DISTRICT URGES YOU TO READ THIS DISCLOSURE STATEMENT AND THE PLAN CAREFULLY.

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EXHIBIT D - PLAN OF ADJUSTMENT

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ARTICLE I.
INTRODUCTION

This 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 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 DISCLOSURE STATEMENT

The Bankruptcy Code generally requires that the proponent of a plan of adjustment 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 Disclosure Statement provides such information. Parties in interest should read this 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 Disclosure Statement, however, cannot and does not provide creditors with legal or

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

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

8 **ARTICLE III.**

9 **SUMMARY OF PLAN AND VOTING**

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

12 At a basic level, the Plan provides that the District will sell the Hospital and will be
13 reorganized into the Reorganized District and enter a period of operational dormancy during
14 which the Reorganized District focuses its revenues on the repayment of creditors pursuant to the
15 Plan. After the majority of creditor repayments are accomplished, estimated to occur in 2024, the
16 Reorganized District intends to utilize its revenues to resume providing healthcare services to the
17 citizens of West Contra Costa County. The proposed treatment of the District's creditors under
18 the Plan is set forth below.

19 **3.1 Proposed Treatment of Claims.**

20 **3.1.1 Class 1 -- Secured Claims of COPs Holders**

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

25 The secured claims of the COPs Holders shall be paid in full with interest under the Plan.
26 Payments of principal and interest shall be made to the COPs Holders pursuant to 2004 COPs
27 Documents and 2011 COPs Documents, and the Plan shall not modify the applicable interest rates
28 or maturity dates under the COPs Documents, except as set forth herein.

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

17 **3.1.2 Class 2 -- Unsecured Claim and Contractual Rights of the County Under the**
18 **Tax Sharing Agreements.**

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

23 **3.1.3 Class 3 -- WCCHD Successor Pension Plan Claims.**

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

26 **3.1.4 Class 4 -- CNA Claims.**

27 Class 4 is impaired under the Plan. The \$212,292.13 in funds held by MidAmerica for the
28 benefit of the CNA Claimants shall be paid by MidAmerica to CNA for disbursement to the CNA

1 Claimants. The CNA Claimants shall also be paid \$2,500,000 over ten years without interest in
2 equal, annual payments. All payments to the CNA Claimants shall be made by the Reorganized
3 District to CNA, which shall act as the disbursing agent for the CNA Claimants under the Plan.

4 **3.1.5 Class 5 -- General Unsecured Claims.**

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

8 **3.1.6 Class 6 -- EDD Claim**

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

12 **3.1.7 Administrative Claims.**

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

16 **3.2 Voting on the Plan.**

17 All creditors holding claims in the Impaired Classes (Classes 1, 2, 4, 5, and 6) are entitled
18 to vote for acceptance or rejection of the Plan. The District has provided copies of this Disclosure
19 Statement and ballots to all known holders of such Claims. The ballot for voting is enclosed.

20 Creditors must mail or deliver the ballot to:

21 Pamela Matthews
22 Dentons US LLP
23 303 Peachtree Street, Suite 5300
Atlanta, GA 30308

24 In order for your vote to be counted, your completed Ballot must be received by mail or
25 personal delivery **no later than 5:00 p.m. PDT on [_____]**. Ballots received after this
26 deadline, and ballots returned directly to the Bankruptcy Court, shall not be counted in connection
27 with confirmation of the Plan.

28 After the Ballots have been tabulated, the Bankruptcy Court will decide whether the

1 District has met the necessary legal requirements for approval, or “Confirmation” of the Plan.
2 Upon Confirmation, the Plan will be binding upon all creditors regardless of whether an
3 individual creditor has voted in favor of the Plan.

4 **3.3 Date of the Confirmation Hearing and Deadlines for Objecting to Confirmation of**
5 **the Plan.**

6 The Confirmation Hearing will be held on August __, 2017, at _____.m. Pacific Time
7 in the Courtroom of the Honorable Roger L. Efremsky, Courtroom 201, at 1300 Clay Street,
8 Oakland, California, 94612. The Confirmation Hearing may be continued from time to time by
9 announcement in open Court without further notice.

10 Any objections to confirmation of the Plan must be filed with the Bankruptcy Court and
11 served on the following entities so as to be actually received by no later than August __, 2017:
12 (a) counsel to the District (i) Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los
13 Angeles, CA 90017, Attention: Samuel R. Maizel, and (ii) Dentons US LLP, 303 Peachtree
14 Street, Suite 5300, Atlanta, GA 30308, Attention: Gary W. Marsh; and (b) counsel to the
15 Committee [INSERT COMMITTEE COUNSEL CONTACT]. Objections that are not timely
16 filed and served may not be considered by the Bankruptcy Court. *Please refer to the*
17 *accompanying Notice of Confirmation Hearing for specific requirements regarding the form*
18 *and nature of objections to confirmation of the Plan.*

19 **3.4 Tax Attributes of the Plan.**

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

24 The Reorganized District will withhold all amounts required by law to be withheld from
25 payments to holders of Allowed Claims. In addition, such holders may be required to provide
26 certain tax information to the Reorganized District as a condition of receiving Distributions under
27 the Plan including, without limitation, IRS Forms W-8 and/or W-9. The Reorganized District
28

1 will comply with all applicable reporting requirements of the Internal Revenue Code of 1986, as
2 amended.

3 **PLEASE NOTE THAT THE PROJECTED FINANCIAL INFORMATION**
4 **CONTAINED HEREIN REFLECTS VARIOUS ASSUMPTIONS BY THE DISTRICT**
5 **THAT MAY OR MAY NOT PROVE TO BE CORRECT. IN ADDITION, ESTIMATES**
6 **OF ALLOWED CLAIMS MAY VARY FROM THE FINAL AMOUNTS OF ALLOWED**
7 **CLAIMS. THE BANKRUPTCY COURT HAS MADE NO INDEPENDENT**
8 **INVESTIGATION OR DETERMINATION OF ANY FACTUAL STATEMENT OR**
9 **DOLLAR VALUE SET FORTH IN THE PLAN OR THE DISCLOSURE STATEMENT.**

10 **3.5 Additional Information.**

11 If you have any questions about the procedures for voting on the Plan, desire another copy
12 of a ballot, or seek further information about the timing and deadlines with respect to
13 confirmation of the plan, please contact counsel for the District as follows: David Gordon,
14 Dentons US LLP, 303 Peachtree Street, Suite 5300, Atlanta, GA 30308, (404) 527-4117,
15 david.gordon@dentons.com. Please note that counsel for the District cannot and will not provide
16 creditors with any legal advice, including advice regarding how to vote on the Plan or the effect
17 that confirmation of the Plan will have upon claims against the District.

18 **ARTICLE IV.**

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

20 **4.1 The Petition Date.**

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

22 **4.2 The District's History.**

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

27 The District operated the Hospital at a significant annual loss until 1997 when it leased the
28 Hospital to Tenet Healthcare Corporation. Tenet changed the name of the Hospital to "Doctors

1 Medical Center” and combined it with a second Tenet-operated Doctors Medical Center in
2 Pinole. Tenet operated the two hospitals until August 1, 2004, when it terminated its agreement
3 with the District and returned control of both facilities to the District. The District regained the
4 operating responsibility of the Hospital and became obligated for the payment of Tenet’s
5 approximately twenty-year lease of the Pinole Doctors Medical Center facility.

6 **4.3 The District’s Prior Chapter 9 Filing.**

7 Even before the dissolution of the Tenet management agreement, the Hospital was losing
8 millions of dollars each year. Following the 2004 transition, with the Hospital running out of
9 cash and closure of the Hospital imminent, the District introduced a special parcel tax measure
10 (Measure D) to supplement the existing *ad valorem* property tax, which measure was approved by
11 84% of voting residents in June 2004. Immediately thereafter the District used the future
12 proceeds from that new parcel tax to secure \$26 million in long-term municipal bond financing
13 through the sale of the 2004 COPs. The proceeds of the 2004 COPs were used to provide general
14 working capital to the District and to cover continuing losses at the Hospital.

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

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

22 **4.4 The Closure of the Hospital.**

23 By 2011, the outside funding secured during the prior bankruptcy case was reduced by
24 93% and the District again faced a significant financial shortfall. The District again worked to cut
25 expenses and proposed a new, additional parcel tax (Measure J) that was approved by the voters
26 by a vote of 74%. The District used the future proceeds from this new parcel tax to secure an
27 additional \$35 million in long-term municipal financing through the 2011 COPs. The proceeds of
28 the 2011 COPs were used to refinance a portion of the 2004 COPs and to fund general operating

1 expenses of the District.

2 With the Hospital continuing to lose money and the District unable to secure additional
3 financing, the District made the difficult decision to shut down operations at the Hospital
4 effective April 21, 2015.

5 **4.5 Events Leading to the Filing of this Chapter 9 Case.**

6 By October 2016, the revenues obtained by the District through the 2011 COPs had been
7 almost completely exhausted. Despite the District's best efforts, the District was unable to close a
8 sale of the Hospital to provide funds needed by the District on terms acceptable to the District.
9 Moreover, as a result of the closure of the Hospital, the District's obligations under 2004 and
10 2011 COPs were modified such that all of the parcel tax revenue collected by the County on
11 behalf of the District, approximately \$5.5 million per year, was directed directly to the Trustee to
12 serve as additional collateral to secure the District's obligations under the COPs Documents. The
13 acceleration of the COPs indebtedness resulted in the District being left with no funds to continue
14 operations or pay creditors, necessitating the filing of this Chapter 9 Case.

15 **ARTICLE V.**

16 **CHAPTER 9 EVENTS**

17 **5.1 Administrative Orders.**

18 **5.1.1 Notice of Commencement of Case; Entry of Order for Relief; Bar Date for**
19 **Filing Proofs of Claims.**

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

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

27

28

1 **5.2 Order Excusing Appointment of Patient Care Ombudsman and Patient Records**
2 **Order.**

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

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

15 **5.3 Assumption of Headquarters Lease.**

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

18 **5.4 The 928(b) Order.**

19 On January 11, 2017, the Bankruptcy Court entered the 928(b) Order. Pursuant to the
20 928(b) Order, the District has been permitted to use Parcel Tax Revenues pledged by the District
21 to the Trustee for the repayment of the COPs in order to fund its operations during this Chapter 9
22 case. The 928(b) Order requires that the District operate within a monthly budget and that the
23 Trustee disburse funds to the District bi-monthly in accordance with the budget. The District
24 funded its operations pursuant to funds disbursed to it under the 928(b) Order until May 31, 2017.
25 Pursuant to the 928(b) Order, the Trustee advanced \$1,648,716.89 in Parcel Tax Revenues to the
26 District.

27 **5.5 Professional Fees Incurred.**

28 The following professionals have represented the District in connection with the Chapter 9

1 Case:

2 **5.5.1 Archer Norris**

3 The District engaged Archer Norris as general counsel in 1985 and the firm has continued
4 in this role during the Chapter 9 Case. The firm has a written fee agreement with the District
5 effective as of August 1, 2004. Total fees and expenses incurred and paid to the date of this
6 Disclosure Statement are \$_____. The firm expects to incur an additional \$_____ prior to the
7 Effective Date.

8 **5.5.2 Dentons**

9 The District engaged Dentons US LLP as reorganization counsel in September 2016 and
10 paid the firm a retainer of \$200,000 as an advance against fees and costs to be incurred in the
11 Chapter 9 Case and supplemented the retainer by a payment of \$100,000 in October 2016. Total
12 fees and expenses incurred and paid to the date of this Disclosure Statement, inclusive of the
13 retainer, are approximately \$773,358.40. Dentons expects to incur approximately an additional
14 \$350,000.00 prior to the Effective Date.

15 **5.5.3 Optimum Financial**

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

20 **ARTICLE VI.**

21 **PLAN FOR THE ADJUSTMENT OF DEBT**

22 **6.1 Overview of the Plan.**

23 **The discussion of the Plan set forth below is qualified in its entirety by reference to**
24 **the more detailed provisions set forth in the Plan, the terms of which are controlling.**
25 **Holder of Claims and other interested parties are urged to read the Plan, a copy of which is**
26 **attached to this Disclosure Statement, in its entirety so that they may make an informed**
27 **judgment regarding the Plan.**

28

1 The Plan is the product of negotiations among the District, the County, and other parties in
2 interest. Pursuant to the Plan, the Hospital will be sold free and clear of all liens, claims, and
3 encumbrances to LRC for \$13 million. The District will be reorganized into the Reorganized
4 District on the Effective Date. Because the Reorganized District is receiving a discharge (as
5 described below), none of the former liabilities of the District other than payment obligations of
6 the Reorganized District under the Plan shall become liabilities of the Reorganized District.

7 Upon the Effective Date of the Plan, the Reorganized District will enter a period of
8 operational dormancy during which the Reorganized District focuses its revenues on the
9 repayment of creditors pursuant to the Plan. After the majority of creditor repayments are
10 accomplished, estimated to occur in 2027, the Reorganized District intends to utilize its revenues
11 to resume providing healthcare services to the citizens of West Contra Costa County.

12 As described in more detail below, the Plan provides for the full repayment of the COPs
13 Holders, that the Reorganized District shall assume and honor all obligations of the District under
14 the Successor Pension Plan, and that the all other Allowed Claims against the District shall be
15 paid as set forth herein. The Plan also provides for the political transformation of the District in
16 such a manner that, after completion of an approximately 7 year period of dormancy, the
17 Reorganized District can resume providing healthcare services to the citizens of West Contra
18 Costa County.

19 **6.2 Sources of Creditor Payments Under the Plan.**

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

23 **6.2.1 Hospital Sale Proceeds and Other Cash on Hand as of the Effective Date.**

24 As set forth in Section 6.4.2 of this Disclosure Statement, pursuant to the Plan the District
25 shall sell the Hospital free and clear of all liens, claim, and encumbrances to LRC for a sale price
26 \$13 million. As required by the 928(b) Order, the District will use \$1,648,716.89 of the net sale
27 proceeds to repay the Trustee sums disbursed by the Trustee to the District under the 928(b)
28 Order, leaving \$11,362,491 in remaining sale proceeds, less closing costs, property taxes, and

1 expenses. In addition, in May 2017, the District received \$1 million in Ad Valorem Revenue.

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

5 **6.2.2 The Excess Parcel Tax Revenues.**

6 While the precise amount fluctuates from year to year, the District receives approximately
7 \$5.6 million in Parcel Tax Revenues annually. Approximately \$4.3 million of this amount is
8 needed by the District to make bi-annual payments of principal and interest to the COPs Holders,
9 and, under the Plan, the Reorganized District will continue to use approximately \$4.3 million of
10 its annual Parcel Tax Revenues to make the payments to the COPs Holders set forth in the COPs
11 Amortization Table.

12 The approximately \$1.3 million in Parcel Tax Revenues received by the District each year
13 and not needed to make payments of principal and interest to the COPs Holders constitutes the
14 Excess Parcel Tax Revenues (for a more detailed definition of the term “Excess Parcel Tax
15 Revenues” please see the Definitions attached hereto as Exhibit 1). Under the Plan, the Excess
16 Parcel Tax Revenues shall be available to the District each year in order to fund payments to
17 creditors. As of the Effective Date, the Trustee will be holding approximately \$4 million in
18 Excess Parcel Tax Revenues of the District. Under the Plan, the Trustee will be required to return
19 these Excess Parcel Tax Revenues to the Reorganized District so that such funds can be used to
20 fund payments under the Plan.

21 **6.2.3 The Parcel Tax Reserve.**

22 Under the COPs Documents as currently written, the Trustee is required to reserve, and
23 the District is required to provide to the Trustee, one year’s worth of future payments of principal
24 and interest owed to the COPs Holders. This one year reserve is referred to as the Parcel Tax
25 Reserve (for a more detailed definition of the term “Parcel Tax Reserve” please see the
26 Definitions attached hereto as Exhibit 1). As of the Effective Date, the Trustee will be holding
27 approximately \$4 million in Parcel Tax Reserves. The Parcel Tax Reserves will be eliminated
28 under the Plan and the COPs Documents will be modified to so provide. Pursuant to the Plan the

1 Trustee shall be required to return to the Reorganized District the approximately \$4 million in
2 Parcel Tax Reserves on hand as of the Effective Date. This amount will serve as an additional
3 source of payment to creditors.

4 **6.2.4 The *Ad Valorem* Revenues**

5 While the precise amount fluctuates from year to year, the District receives approximately
6 \$3.7 million in *Ad Valorem* Revenues annually. Under the Tax Sharing Agreements between the
7 District and the County, the District keeps \$1 million in *Ad Valorem* Revenues each year and the
8 remainder is retained by the County. The \$1 million in *Ad Valorem* Revenues retained by the
9 District each year serves as an additional source of revenues to fund payments under the Plan.
10 Additionally, in approximately 2024,¹ the District will have paid to the County all sums due under
11 the Tax Sharing Agreements and will become entitled to retain all of its *Ad Valorem* Revenues
12 rather than being limited to \$1 million per year.

13 **6.3 Specification and Treatment of Claims and Interests.**

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

18 **6.3.1 Non-Classified Claims.**

19 Section 1123(a)(1) of the Bankruptcy Code provides that certain Claims shall not be
20 classified under the Plan. Non-Classified Allowed Claims include those for professional fees and
21 Claims for goods or services that were delivered or provided after the Petition Date. Non-
22 Classified Claims will be paid by the Reorganized District on the later of: (a) sixty (60) days after
23 the Effective Date; (b) the date such Claims become Allowed Claims; (c) the date when such
24 Claims are due in the ordinary course of the business of the Reorganized District; or (d) at such
25 time and in such amounts as the Reorganized District and the holders of such Allowed Claims
26

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

1 shall agree. Non-Classified Claims shall include Claims of governmental units for taxes or
2 duties. The District has no unpaid tax claims (although such claims, if any, would be paid by the
3 Reorganized District as Non-Classified Claims).

4 **6.3.2 Classified Claims.**

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

7 **6.3.3 Class 1 (Secured Claims of the COPs Holders).**

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

28

1 **6.3.4 Class 2 (Unsecured Claim and Contractual Rights of the County Under the**
2 **Tax Sharing Agreements).**

3 Class 2 consists of the unsecured claim of the County in the amount of \$436,265.01 and
4 the County's rights under the Tax Sharing Agreements. Pursuant to the Plan, the County shall
5 receive one distribution in the amount of \$218,132.50 on account of its Allowed Unsecured
6 Claim within twenty-four (24) months of the Effective Date. Pursuant to the Tax Sharing
7 Agreements, the District assigned to the County certain of the District's right to receive certain of
8 its *Ad Valorem* Revenues in exchange for financial and other support provided to the District by
9 the County. The County's rights under the Tax Sharing Agreements will not be altered by the
10 Plan. The District will continue to receive \$1 million in *Ad Valorem* Revenues retained by the
11 District each year until approximately 2024, at which time the District will have paid to the
12 County all sums due under the Tax Sharing Agreements and will become entitled to retain all of
13 its *Ad Valorem* Revenues going forward.

14 **6.3.5 Class 3 (WCCHD Successor Pension Plan Claims).**

15 Class 3 consists of the claims of all beneficiaries of the WCCHD Successor Pension Plan.
16 All such claims shall be Allowed Claims under the Plan. On the Effective Date, the Reorganized
17 District shall assume all rights and responsibilities of the District under the WCCHD Successor
18 Pension Plan. The WCCHD Successor Pension Plan shall continue to be administered by Matrix,
19 who shall act as disbursement agent for all payments to be made to beneficiaries under the Plan.
20 Within thirty (30) days of the Effective Date, the Reorganized District shall transfer \$4 million to
21 Matrix in order to fund the WCCHD Successor Pension Plan. Thereafter, the District shall
22 transfer \$1 million to Matrix each year until the WCCHD Successor Pension Plan is fully funded.

23 **6.3.6 Class 4 (CNA Claims).**

24 Class 4 consists of the holders of all claims against the District pursuant to that certain
25 Memorandum of Understanding between the District and CNA dated June 14, 2011. All such
26 claims shall be Allowed Claims under the Plan. CNA shall serve as the disbursing agent for all
27 payments to be made by the Reorganized District to the holders of CNA Claims. Within thirty
28 (30) days of the Effective Date, the \$212,292.13 in funds held by MidAmerica for the benefit of

1 the CNA Claimants shall be paid by MidAmerica to CNA for disbursement to the CNA
2 Claimants. CNA Claimants shall be paid \$2,500,000 over ten years without interest in equal,
3 annual payments.

4 **6.3.7 Class 5 (General Unsecured Creditors).**

5 Class 5 consists of all holders of Allowed Unsecured Claims other than claims held by the
6 County, EDD, CNA Claimants, and holders of WCCHD Successor Pension Claims. The holders
7 of Allowed Claims in Class 5 will receive their *pro rata* share of \$6 million over three (3) years
8 after the Effective Date of the Plan. The Plan enables the District to file objections to claims at
9 any time within 180 days after the Effective Date. To the extent a Class 5 Claim is not an
10 Allowed Claim on the date that is 180 days after the Effective Date, such claim will receive its
11 *pro rata* share of the \$8 million paid to Class 5 Claims at the time and to the extent such claim
12 becomes an Allowed Claim. Until the total allowed amount of all Class 5 Claims is determined,
13 the Reorganized District may delay payment or make adequate reserves prior to payment of any
14 Allowed Class 5 Claims.

15 **6.3.8 Class 6 (EDD Claim).**

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

21 **6.4 Means for Implementation of the Plan.**

22 **6.4.1 Plan Financial Projections**

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

26 **6.4.2 Sale of the Hospital**

27 The Hospital is a significant drain on the extremely limited resources of the District. The
28 Hospital is closed and generates no revenue, yet the District must maintain and care for the

1 Hospital. The District has deemed it appropriate to sell the Hospital in order to relieve the
2 District of this cash-draining resource and generate revenues to be used to make distributions to
3 creditors pursuant to the Plan. To that end, the District has entered into a contract with LRC to
4 sell the Hospital to LRC for \$13 million. LRC owns a casino adjacent to the Hospital and plans
5 to demolish the Hospital to provide additional parking for the casino. LRC will not close on the
6 sale of the Hospital, however, unless the sale is free and clear of the rights, if any, of the Cellular
7 Rights parties, as described below.

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

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

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

26 Pursuant to the Plan, the Hospital will be sold to LRC free and clear of liens, claims, and
27 encumbrances, including any liens, claims, or encumbrances of the Cellular Rights Parties, for
28 \$13 million pursuant to Sections 1123(a)(5) and 105 of the Bankruptcy Code. This sale will

1 remove a cash draining burden on the District's revenues and generate significant creditor
2 recoveries to be distributed under the Plan.

3 **6.4.3 Distributions**

4 The District may retain one or more agents to perform or assist it in performing the
5 distributions to be made pursuant to the Plan, which agents may serve without bond. The District
6 may provide reasonable compensation to any such agent(s) without further notice or Court
7 approval. All distributions to any holder of an Allowed Claim shall be made at the address of
8 such holder as set forth in the books and records of the District or its agents, unless the District
9 has been notified by such holder in a writing that contains an address for such holder different
10 from the address reflected in its books and records. All distributions to the COPs Holders shall be
11 made through the Trustee in accordance with the COPs Documents, as modified by the Plan. All
12 distributions to holders of WCCHD Successor Pension Plan Claims shall be made through
13 Matrix, who shall serve as disbursing agent for such claimants under the Plan. All distributions to
14 holders of CNA Claims shall be made through CNA, who shall serve as disbursing agent for such
15 claimants under the Plan

16 **6.4.4 Disputed Claims**

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

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

28

1 **6.4.5 Unclaimed Property**

2 Any holder of an Allowed Claim that fails to claim a Distribution within sixty (60) days of
3 the Distribution will be deemed to have waived its rights to such Distribution and to any other
4 future Distributions under the Plan. In the event that any Distributions from an interim
5 Distribution become Unclaimed Property, all such Unclaimed Property shall be returned to the
6 appropriate fund for distribution to creditors or, if such balance reverts to the Reorganized
7 District, to the Reorganized District. In the event that any Distributions from the Final
8 Distribution become Unclaimed Property, all such Unclaimed Property shall be returned to the
9 Reorganized District.

10 **6.5 Continuing Jurisdiction of the Bankruptcy Court.**

11 The Plan provides for the Bankruptcy Court to retain jurisdiction over a broad range of
12 matters relating to the Chapter 9 case, the Plan, and other related items. Readers are encouraged
13 to review the Plan carefully to ascertain the nature of the Bankruptcy Court’s continuing, post-
14 confirmation jurisdiction.

15 **6.6 Discharge of the District & Creation of the Reorganized District.**

16 Upon Confirmation of the Plan, and with the exception of the Reorganized District’s
17 payment obligations to creditors under the Plan, the District shall be discharged and released from
18 any and all Claims held by any party regardless of whether the holder of a particular claim filed a
19 proof of claim, whether the claim is allowed by the Bankruptcy Court, or whether the holder of
20 the Claim voted to accept the Plan. Upon the Effective Date, the District, as discharged as set
21 forth herein, shall be reorganized into the Reorganized District. The Reorganized District shall
22 assume and honor the payment obligations to creditors under the Plan.

23 **6.6.1 Future and Management of the Reorganized District.**

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

27 After the Effective Date, the Reorganized District will work with the County to sponsor
28 special legislation that will replace District board elections and an elected board with a governing

1 body appointed by the County Board of Supervisors. This change in governance would also
2 accommodate a change in management of the Reorganized District from independently employed
3 staff to a management contractual arrangement with the County such that existing County Health
4 Services administrative staff and resources could cover the minimal administrative needs of the
5 Reorganized District during the period of relative inactivity accompanying the debt payment
6 focus under the Plan.

7 Following the Effective Date, the Reorganized District will focus its operations on making
8 the payments to creditors envisaged by the Plan. The Reorganized District will devote
9 substantially all of its revenues to this task until approximately 2024.

10 Beginning in 2024, the District projects that the Reorganized District will have completed
11 making the payments to the County required by the Tax Sharing Agreements. At that point,
12 based on the Plan Financial Projections, the Reorganized District's net revenues will increase by
13 roughly \$2.8 million annually. Moreover, the Reorganized District's remaining payment
14 obligations under the Plan will be minimal, with continuing payments owed only to the COPs
15 Holders and CNA. At that point, the Reorganized District intends to utilize its revenues to resume
16 providing some form of healthcare services to the citizens of West Contra Costa County.

17 **6.6.2 Postconfirmation Administration and Retention of Professionals.**

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

22 **6.6.3 Treatment of Executory Contracts and Unexpired Leases.**

23 The Plan provides for the assumption of only those executory contracts and unexpired
24 leases: (1) to which the District was a party on the Petition Date and that are (a) listed on Exhibit
25 A to the Plan, as it may be amended prior to Confirmation, or (b) assumed by the District prior to
26 the Effective Date; or (2) that have been entered into during the pendency of the Chapter 9 Case.
27 All other executory contracts and unexpired leases shall be rejected effective as of the Effective
28 Date, unless rejected by prior order of the Bankruptcy Court. Claims for damages resulting from

1 the rejection of executory contracts and unexpired leases must be filed with the Bankruptcy Court
2 within thirty (30) days after such Effective Date unless the holder has previously filed such proof
3 of Claim and will be treated as Class 5 claims under the Plan. As stated in Section 6.4.2 of this
4 Disclosure Statement above, the Plan provides for the rejection pursuant to section 365(a) of the
5 Bankruptcy Code of the Crown Castle Successor Lease. While the District does not believe it is a
6 party to any executory contract or unexpired lease with any of the other Cellular Rights Parties, to
7 the extent such an executory contract or unexpired lease is deemed to exist, the Plan provides for
8 rejection of all such contracts.

9 **ARTICLE VII.**

10 **PLAN FEASIBILITY**

11 The District submits that the Plan is feasible in accordance with section 943(b)(7) of the
12 Bankruptcy Code based upon the Plan Financial Projections attached to this Disclosure Statement
13 as “**Exhibit B**”. The Plan Financial Projections set forth the projected income and expenses of
14 the Reorganized District each year from the Effective Date until December 31, 2027. Based on
15 the Plan Financial Projections, the Reorganized District will have sufficient funds to make all
16 payments contemplated by the Plan.

17 **ARTICLE VIII.**

18 **BEST INTERESTS OF CREDITORS ANALYSIS**

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

28 The Plan provides for the maximum recovery possible for the District’s creditors.

1 Pursuant to the Plan, the COPs Holders will be repaid in full, as will the holders of WCCHD
2 Successor Pension Plan Claims. General Unsecured Creditors, EDD, and holders of CNA Claims
3 will receive a combined payout of approximately \$10 million, the maximum payout possible
4 under the circumstances.

5 If the Plan is not confirmed, the District may have to dismiss the Chapter 9 Case and there
6 will no longer be a vehicle for the orderly payment of its creditors. Each creditor will be required
7 to sue the District to establish liability for its debt. Even if the lawsuit is successful, no creditor
8 can obtain a judgment lien on the District's assets or force those assets to be sold. Each creditor
9 with a judgment must return to court for an order of mandamus requiring payment. The District
10 contends that this process is costly, will take several years, and will then result in a much smaller
11 recovery over a much longer period of time.

12 Under the Plan, the Reorganized District will enter a period of dormancy during which its
13 available funds are used to repay creditors. After this period of dormancy, estimated to be
14 completed in 2024, the Reorganized District will again be in possession of significant funds that
15 can be used to provide healthcare services to the citizens of West Contra Costa County.

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

18 **ARTICLE IX.**

19 **CONFIRMATION**

20 **9.1 Record Date.**

21 The Record Date is _____.m. Pacific on _____, 2017. The following will be determined
22 as of the Record Date: (a) which holders of Claims will be entitled to receive a ballot and vote to
23 accept or reject the Plan, and (b) whether Claims have been properly assigned or transferred to an
24 assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the holder of the
25 Claim.

26 **9.2 Voting.**

27 In order to confirm the Plan, with regard to each impaired class of creditors, two-thirds in
28 monetary amount and a majority of the number of Claims of creditors that vote on the Plan must

1 vote to accept the Plan. The following are impaired classes of creditors under the Plan: Class 1
2 (Secured Claims of the COPs Holders); Class 2 (Unsecured Claim and Contractual Rights of the
3 County Under the Tax Sharing Agreements); Class 4 (CNA Claims); Class 5 (General Unsecured
4 Creditors); and Class 6 (EDD). These are the only creditors that are entitled to vote on the Plan.

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

8 An acceptance or rejection of the Plan may be voted by completing and signing the Ballot
9 that accompanies the Plan and mailing or delivering it to Dentons US LLP, c/o Pam Matthews,
10 303 Peachtree Street, Suite 5300, Atlanta, GA 30308. All ballots must be received by [] at
11 5:00 p.m., Pacific Daylight Time.

12 **BALLOTS RECEIVED THAT ARE SIGNED BUT DO NOT DESIGNATE**
13 **ACCEPTANCE OR REJECTION OF THE PLAN AND UNSIGNED BALLOTS WILL**
14 **NOT BE COUNTED.**

15 **9.3 Confirmation Standards.**

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

20 **9.4 Classification of Claims.**

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

24 **9.5 Modification of the Plan.**

25 The District may modify the Plan at any time prior to issuance of the Confirmation Order.
26 In the event of a modification to the Plan, the District may be required to provide additional
27 disclosure to creditors and other parties in interest with respect to the Plan as modified. Any
28 holder of a Claim that has accepted or rejected the Plan will be deemed to have accepted or

1 rejected, as the case may be, the Plan as modified, unless, within the time fixed by the Bankruptcy
2 Court, such holder changes his or her previous acceptance or rejection.

3 **9.6 Confirmation Without Acceptance by All Impaired Classes.**

4 Section 1129(b) of the Bankruptcy Code enables the District to confirm the Plan without
5 the acceptance of one or more classes of Claims if at least one impaired Class of claims accepts
6 the Plan and the so-called “cramdown” provisions set forth in section 1129(b)(1), (b)(2)(A), and
7 (b)(2)(B) of the Bankruptcy Code are satisfied. The Plan may be confirmed under the cramdown
8 provisions if, in addition to satisfying the other requirements of section 943(b) of the Bankruptcy
9 Code, it (a) is “fair and equitable”, and (b) does not discriminate unfairly with respect to each
10 Class of Claims that is impaired under the Plan.

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

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

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

26 **9.7 Effect of Confirmation.**

27 If the Plan is confirmed, its terms and conditions will be binding on all creditors. Except
28 as otherwise set forth in the Plan, the Reorganized District will be discharged from all liability for

1 Claims against the District arising prior to the Effective Date, and the discharge will be effective
2 as to each Claim regardless of whether the holder of a particular Claim filed a Proof of Claim,
3 whether the Claim is allowed by the Bankruptcy Court, or whether the holder of the Claim voted
4 to accept the Plan.

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

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

19 **THE PLAN ALSO INCLUDES AN INDEMNIFICATION PROVISION IN FAVOR**
20 **OF THE DESIGNATED RESPONSIBLE INDIVIDUALS.**

21 **THE PLAN ALSO INCLUDES AN INJUNCTION ENJOINING ALL CREDITORS**
22 **OF THE DISTRICT, INCLUDING, WITHOUT LIMITATION, THE CELLULAR**
23 **RIGHTS PARTIES, FROM ASSERTING ANY CLAIM AGAINST LRC RELATING TO**
24 **THE SALE OF HOSPITAL OR ANY CLAIM AGAINST OR INTEREST IN THE**
25 **HOSPITAL ARISING PRIOR TO THE EFFECTIVE DATE OF THE PLAN.**