

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF KENTUCKY  
BOWLING GREEN DIVISION

IN RE:	)	
	)	
ADAIR COUNTY HOSPITAL DISTRICT	)	CHAPTER 9
	)	
Debtor	)	CASE NO. 13-10939
_____	)	
	)	
IN RE:	)	
	)	
ADAIR COUNTY PUBLIC HOSPITAL DISTRICT	)	CHAPTER 9
CORPORATION	)	
	)	
Debtor	)	CASE NO. 13-10940
_____	)	

**SECOND AMENDED PLAN FOR ADJUSTMENT OF DEBTS  
DATED OCTOBER 23, 2015**

Adair County Hospital District (the “**District**”) and the Adair County Public Hospital District Corporation (the “**Corporation**”) (each a “**Debtor**” and collectively the “**Debtors**”), in furtherance of effecting an adjustment of its debts under the provisions of Chapter 9 of the Bankruptcy Code, propose the following as their Plan for Adjustment of Debts, as modified, supplemented, and amended (collectively, the “**Plan**”).

**I. DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW**

*A. Rules of Interpretation, Computation of Time and Governing Law*

1. For purposes of the Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and each pronoun, whether stated in the masculine, feminine or neuter gender, shall include the masculine, feminine and the neuter gender; (b) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit Filed, or to be Filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented; (d) unless otherwise specified, all references in the Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to the

Plan; (e) the words "herein," "hereof," "hereunder," and "hereto" and similar terms refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) references to part includes the whole, except where the context clearly requires otherwise; (g) "or" has the inclusive meaning represented by the phrase "and/or"; (h) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (i) the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply; and (j) any term used in capitalized form in the Plan that is not defined herein but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

2. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

3. Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Kentucky, without giving effect to the principles of conflict of laws thereof.

#### *B. Defined Terms*

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form in the Plan:

1. Allowed Administrative Claim shall mean any right to payment constituting a cost or expense of administration of the Case allowed under Sections 503(b) and 507(a)(2) of the Bankruptcy Code.
2. Allowed Claim shall mean any prepetition Claim against the Debtor, proof of which was filed on or before the Bar Date, or any Claim that appears in the List of Creditors filed by the Debtor and which is not listed by the Debtor as disputed, contingent, or unliquidated as to amount, and, in either case, a Claim as to which no objection as to the allowance thereof has been interposed by the Debtor on or before 90 days after the Effective Date or, if such objection has been interposed, on the date which there has been entered a Final Order allowing such Claim.
3. Approval Date shall mean the day the Bankruptcy Court entered its order that approved the Disclosure Statement and authorized the Debtor to solicit acceptances of the Plan.
4. Ballot shall mean the ballot(s), in the form(s) approved by the Bankruptcy Court, accompanying the Disclosure Statement and provided to each holder of a Claim entitled to vote to accept or reject the Plan.

5. Bankruptcy Code shall mean Title 11 of the United States Code, as amended.
6. Bankruptcy Court shall mean the United States Bankruptcy Code for the Western District of Kentucky.
7. Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Case, together with the local rules of the Bankruptcy Court applicable to the Case.
8. Bar Date shall mean October 29, 2013.
9. Case shall mean the Debtors' Chapter 9 bankruptcy cases, captioned above.
10. Claim(s) shall mean a claim against the Debtor or the property of the Debtor within the meaning of 11 U.S.C. §101(5).
11. Committee shall mean the Official Committee of Unsecured Creditors for the District appointed pursuant to 11 U.S.C. § 901 and 1102.
12. Confirmation Date shall mean the date of the entry by the Bankruptcy Court of an order confirming the Plan in accordance with Section 943 of the Bankruptcy Code.
13. Confirmation Order shall mean that order entered by the Bankruptcy Court confirming the Plan in accordance with Section 943 of the Bankruptcy Code.
14. Corporation shall mean Adair County Public Hospital District Corporation.
15. County shall mean Adair County, Kentucky.
16. District shall mean Adair County Hospital District.
17. Disclosure Statement shall mean the disclosure statement, and all exhibits and schedules incorporated therein, as modified, supplemented, and amended, which is the disclosure document describing the Plan which was filed by the Debtor, approved by the Bankruptcy Court, and distributed to the various Classes under the Plan as provided in Section 901 and 1125 of the Bankruptcy Code.
18. Disputed Claim shall mean any Claim which has been scheduled by the Debtor as disputed, contested, contingent, or unliquidated, or any Claim as to which an objection to the allowance thereof has been interposed and allowance or disallowance of such Claim has not been determined by a Final Order.

19. Effective Date shall mean that date upon which all of the covenants and conditions contained in Article VII.B of the Plan have been satisfied or waived.
20. Final Decree shall mean the order of the Bankruptcy Court entered after the Effective Date and after the Case is fully administered, closing the Case.
21. Final Order shall mean an order of the Bankruptcy Court as to which (a) the time for appeal has expired and no notice of appeal has been filed; (b) no stay, as provided by Rule 8005 of the Federal Rules of Bankruptcy Procedure, has been issued with respect to any timely filed appeal; and (c) any timely filed appeal in which a stay has issued has been finally determined or dismissed.
22. Impaired means a Claim or interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.
23. List of Creditors shall mean the list of creditors that the Debtor has filed with the Bankruptcy Court pursuant to Section 924 of the Bankruptcy Code, as may be amended from time to time.
24. New Operator means T.J. Regional Health, Inc. or an affiliate thereof.
25. Petition Date shall mean July 31, 2013, the date on which the Debtor filed its petition under Chapter 9 of the Bankruptcy Code.
26. Plan shall mean the Plan of Adjustment of Debts, together with all exhibits, each in their present form or as they may be altered, amended or modified from time to time in accordance with the provisions of this Plan, the Confirmation Order, the Bankruptcy Code, and the Bankruptcy Rules.
27. Ombudsman shall mean a local attorney or accountant selected by the Committee (with the consent of the District, not to be unreasonably withheld), and disclosed to the Court at the hearing to consider confirmation of the Plan, to serve as the ombudsman for the holders of general unsecured claims following confirmation of the Plan.
28. Rejection Motion means a motion to be filed, pursuant to section 365(a) of the Bankruptcy Code, by the Debtor pursuant to which the Debtor shall seek approval and authorization for the rejection of such executory contracts and unexpired leases as shall be identified in the Rejection Motion.
29. Rights of Action means all of the Debtors' claims, causes of action, rights of recovery, rights of offset, recoupment, rights to refunds, whether arising by operation of bankruptcy or non-bankruptcy law, other than payments owed to the Debtors for medical services rendered by the Debtors in the ordinary course of business.

30. Sale means the conveyance of all personal and real property of the Debtors to the New Operator, with the exception of Rights of Action, free and clear of all liens, claims, and interests.
31. Unimpaired means a Claim that is not Impaired within the meaning of section 1124 of the Bankruptcy Code.

All other undefined capitalized terms shall have the meaning as defined in the Disclosure Statement.

## II. ADMINISTRATIVE CLAIMS, PROFESSIONAL FEES AND PRIORITY CLAIMS

### A. *Administrative Claims and Professional Claims.*

Allowed Administrative Claims are claims of the kind described in sections 503(b) and 507(a)(2) of the Bankruptcy Code. Throughout the course of the Chapter 9 Case, the Debtors have endeavored to satisfy administrative expenses as they became due. Accordingly, the Debtors believe that all Claims that otherwise would constitute Allowed Administrative Claims previously have been or will be satisfied in the ordinary course of business prior to or within fourteen (14) days after the Effective Date by the Debtors, unless such Claim or Claims are not yet an Allowed Claim(s), in which case they will be paid by the Debtors prior to or within fourteen (14) days after the date such claim is allowed by order of the Bankruptcy Court.

Notwithstanding the foregoing, in conjunction with the sale of the Hospital contemplated by the Plan, the new operator of the Hospital (the “**New Operator**”) shall assume up to \$150,000.00 of liability of Debtors to employees for accrued paid time off. The Debtors shall have no liability for any amount assumed by the New Operator. Accrued paid time off not assumed by the New Operator shall be paid by the District sixty (60) days following the Effective Date.

The Debtors have incurred fees and expenses to Seiller Waterman LLC (such fees and expenses, along with any others incurred by the Debtors, the “**Professional Fees**”) during the pendency of the Cases for representation of the Debtors in connection with the Cases. Including representation of the Debtors prior to the commencement of the Cases, the Debtors have incurred Professional Fees to Seiller Waterman LLC of \$203,750.12 in fees through October 19, 2015, and expenses of \$21,604.71 through October 8, 2015. The Debtors have paid such Professional Fees in the ordinary course of their business. Pursuant to the Plan, these Professional Fees shall be deemed reasonable pursuant to Section 943(b)(3) of the Bankruptcy Code.

The Debtors have incurred Professional Fees to Blue & Co., LLC during the pendency of the Cases for audits of the Debtors for fiscal years 2013, 2014, and 2015. The Debtors have incurred Professional Fees to Blue & Co., LLC of \$292,018.50. The Debtors have paid such Professional Fees in the ordinary course of their business. Pursuant to the Plan, these Professional Fees shall

be deemed reasonable pursuant to Section 943(b)(3) of the Bankruptcy Code.

Claims for Professional Fees incurred by the Committee prior to the Effective Date shall be paid by the Debtors in such amount as may be agreed by the District or otherwise Allowed by the Bankruptcy Court and determined as reasonable pursuant to Section 943(b)(3) of the Bankruptcy Code. The Committee has incurred Professional Fees to Pachulski Stang Ziehl & Jones LLP of \$376,366.26 for fees and expenses through September 30, 2015. Prior to or within fourteen (14) days after the Effective Date, the District may (or shall if ordered by the Court) make payment in the amount of \$188,183.13 to Pachulski Stang Ziehl & Jones LLP on account of such Professional Fees or in a lesser amount to the extent the Court allows the Professional Fees in an lesser amount. The remaining balance shall be aggregated with any Professional Fees of the Committee incurred subsequent to October 1, 2015, but prior to the dissolution of the Committee, as such Professional Fees may be Allowed pursuant to Section V.25 of the Plan. The District may (or shall if ordered by the Court) pay such Allowed Professional Fees in two equal installments, the first of which shall be due January 31, 2017, and the second of which shall be due January 31, 2018.

Claims for Professional Fees incurred by the Debtors and the Committee prior to the Effective Date, to the extent not paid during the Chapter 9 Case, shall be paid by the District to the extent it is an Allowed Claim

The Voting Deadline applies to any Claim (or portion of a Claim) that has previously been filed (in a proof of claim) or listed (in the Lists of Creditors), to the extent the Creditor asserting such claim seeks priority for such claim (or portion thereof) based on the value of goods received by the Debtor within 20 days before the Petition Date pursuant to Section 503(b)(9) of the Bankruptcy Code. To the extent any Creditor asserts that any portion of its Claim (whether filed or listed) is entitled to priority under Section 503(b)(9) of the Bankruptcy Code, that Creditor must file a separate request for payment of such priority portion by the Voting Deadline, or be forever barred from asserting a Claim against the Debtors or their property and sharing in any distribution under the Plan.

*B. Priority Claims in Chapter 9.*

The only kind of priority claims incorporated into Chapter 9 through section 901 are Administrative Claims allowed under section 507(a)(2) of the Bankruptcy Code. The treatment all such Allowed Administrative Claims is set forth above in Article II, Section A. No other kinds of priority claims set forth in section 507 of the Bankruptcy Code are recognized in Chapter 9 cases.

**III. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS**

*A. Summary*

The categories of Claims listed below classify Claims for all purposes, including voting, Confirmation and distribution pursuant to the Plan and pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim shall be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim qualifies within the description of such different Class. A Claim is in a particular Class only to the extent that such Claim is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

*B. Classification and Treatment of Claims against the Debtor*

- a. Class 1. Farmers Bank.** Class 1 consists of the secured claims of Farmers Bank under the Adair County Hospital District Taxable General Obligation Bond Anticipation Notes, Series 2010 No. R-1 dated October 14, 2010 (the “GO Note”). Farmers Bank filed a proof of claim in the amount of \$6,983,567.57, plus post-petition interest and reasonable attorneys’ fees.

All Class 1 claims shall be treated as unsecured Class 18 claims. Holders of Class 1 claims shall have no claim to any property of the Debtors or the Hospital District Tax.

- b. Class 2. Amerisource.** Class 2 consists of the claims of Amerisource. Amerisource filed a UCC Financing Statement against the District, File Number 2011-2536988-55 in the Office of the Secretary of State of the Commonwealth of Kentucky. Amerisource alleges a lien on the following property:

All of Debtor’s personal property and any and all additions, substitutions, Accessions and Proceeds thereto or thereof, wherever located, and now owned or hereafter acquired or arising, including the following: All of Debtor's (a) Accounts; (b) Inventory; (c) Chattel Paper; (d) Commercial Tort Claims as disclosed on Debtor's Financial Statements; (e) Deposit Accounts; (f) Documents; (g) Equipment; (h) General Intangibles; (i) Goods; (j) Instruments; (k) Investment Property; (l) Letter of Credit Rights; (m) insurance on all of the foregoing and the proceeds of that insurance; (n) Debtor's money and other property of every kind and nature now or at any time or times hereafter in the possession of or under the control of Secured Party; and (o) the Cash proceeds, Noncash proceeds and products of all of the foregoing and the Proceeds of other Proceeds. All capitalized terms used herein and not defined have the meaning set forth in the Uniform Commercial Code as in effect in any jurisdiction in which any of the Collateral may at the time be located.

The District scheduled Amerisource as a disputed secured claim in the amount of \$8,071.89. Pursuant to the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. Amerisource failed to file any claim. The Plan does not

provide for any distribution to Amerisource on account of its claim. Any lien asserted or which may have been asserted by Amerisource against the District is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the District.

- c. Class 3. De Lage.** Class 3 consists of the claims of De Lage. Thermo Fisher Financial Services, Inc. (“**Thermo Fisher**”) filed a UCC Financing Statement against the District, File Number 2011-2499724-71 in the Office of the Secretary of State of the Commonwealth of Kentucky. Thermo Fisher alleged a lien on the following property:

i-STAT System Analyzer; Martel Printer Electronic Simulator; Operators Manual; Rechargeable Downloader

De Lage is the successor in interest to Thermo Fisher. De Lage filed Claim #20 against the District, alleging a claim in the amount of \$7,608.60 secured by the above-listed collateral, which De Lage asserts has a value of \$1,000.00.

Pursuant to Section 506 of the Bankruptcy Code, De Lage shall hold a secured Class 3 claim in the amount of \$1,000.00, and an unsecured Class 19 claim in the amount of not more than \$6,608.60. The District shall pay such Class 3 claim in full in cash prior to or within fourteen (14) days after the Effective Date of the Plan. De Lage’s liens against the Debtors shall be discharged, and no lien originating prior to the commencement of the case shall attach to property of the Debtors on account of its Class 3 claim.

- d. Class 4. Norlease.** Class 4 consists of the claims of Norlease. Norlease filed two UCC Financing Statements against the District, File Number 2007-2277430-34 and File Number 2007-2277421-24 in the Office of the Secretary of State of the Commonwealth of Kentucky. Norlease alleges a lien on the following property:

File Number 2007-2277430-34: Including but without limitation, One (1) GE Brightspeed Elite 16 Slice CT Scanner including Delivery, Installation, Training and all attachments and accessories as provided by GE HEALTHCARE, leased by secured party as lessor to debtor as lessee under Lease No. 7819000 dated October 10, 2007 as time to time may be amended or supplemented.

File Number 2007-2277421-24: Including but without limitation, One (1) B1018-540 WalkAway-40 SI System with LabPro and One (1) B1018-516 LabPro Alert System...including Shipping & Handling, all attachments and accessories as provided by DADE BEHRING, INC, leased by secured party as lessor to debtor as lessee under Lease No. 76820000 dated October 10, 2007 as time to time may be amended or supplemented.

The District scheduled Norlease as a disputed secured claim in the amount of \$0.00. Pursuant to



the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. Norlease failed to file any claim. The Plan does not provide for any distribution to Norlease on account of its claim. Any lien asserted or which may have been asserted by Norlease against the District is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the District.

- e. **Class 5. BONY.** Class 5 consists of the claim of BONY. JPMorgan Chase Bank (“Chase”) filed a UCC Financing Statements against the District, File Number 2002-1858321-22 in the Office of the Secretary of State of the Commonwealth of Kentucky. Chase alleged a lien on the following property:

All “Gross Receipts” (including without limitation revenues or other money received by the Debtor from the operation of the Project Site, proceeds of inventory and insurance available to the Debtor and all present or future accounts, contracts and agreements, general intangibles, documents and instruments and the proceeds thereof) as defined in the Contract, Lease & Option between Debtor and Secured Party dated as of December 1, 1997, a copy of which is on file in the office of the Debtor and in the office of the Secured Party.

Chase assigned its lien to BONY on May 29, 2007.

The District scheduled BONY as a disputed secured claim in an unknown amount. Pursuant to the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. BONY failed to file any claim. The Plan does not provide for any distribution to BONY on account of its claim. Any lien asserted or which may have been asserted by BONY against the District is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the District.

- f. **Class 6. Bank of Columbia.** Class 6 consists of the claims of the Bank of Columbia. The Bank of Columbia filed a UCC Financing Statement against the Corporation, File Number 2009-2419778-89 in the Office of the Secretary of State of the Commonwealth of Kentucky. Bank of Columbia alleges a lien on the following property:

All equipment of Adair County Public Hospital District Corp, Adair Co Hospital District, or DBA Westlake Regional Hospital currently owned or purchased in the future.

Pursuant to that certain Settlement Agreement and Release filed of record on May 12, 2014 (“**BOC Settlement**”), the Bank of Columbia holds a Secured Claim against the Corporation and the District in the amount of \$357,460.65.

Prior to or within fourteen (14) days after the Effective Date, the Debtors shall pay to Bank of Columbia the amount presently due pursuant to the BOC Settlement. The Class 6 Claim shall be

treated as paid and all liens against the equipment owned by the Debtors shall be deemed discharged and released upon payment.

- g. Class 7. Farmers Bank.** Class 7 consists of the secured claim against the Corporation under the Revenue Refunding Bond Anticipation Notes, Series 2010 No. R-1 dated October 14, 2010, and the Contract, Lease and Option dated October 1, 2010, secured under a Mortgage Deed of Trust, dated October 1, 2010, which is recorded in the Adair County Clerk's Office in Mortgage Book 297, Pages 643-699. Pursuant to the mortgage, Farmers Bank claims a mortgage interest in the properties commonly known as Westlake Regional Hospital (Deed Book 130, Page 83 in the Adair County Clerk's Office), and Westlake Primary Care Center (Deed Book 202, Page 125, and Deed Book 205, Page 288, in the Adair County Clerk's Office). The holders of the Class 7 Claim shall receive, on account of such claim, payment in cash in equal to \$2,000,000.00 prior to or within fourteen (14) days after the Effective Date of the Plan in full and final settlement and satisfaction of the Class 7 claim. The remaining portion of the Class 7 claim shall receive treatment as a Class 18 claim.
- h. Class 8. US Bank.** Class 8 consists of the claims of US Bank. US Bank is the trustee under a declaration of trust dated 8/15/1987 known as Community Program Loan Trust 1987A. US Bank is the successor-in-interest to Fleet National Bank ("**Fleet**"). Fleet filed a UCC Financing Statement against the Corporation, File Number 2009-2374715-70 in the Office of the Secretary of State of the Commonwealth of Kentucky. US Bank alleges a lien on the property described therein, including personal property, rights, revenues, equipment, fixtures, and proceeds thereof.

US Bank's claim shall be allowed in the amount of \$965,000.00, or such lower amount as may be the current principal balance of such loan, and shall be paid as follows: On the Effective Date of the Plan, US Bank shall be granted relief from the automatic stay and the discharge injunction to exercise applicable remedies pursuant to non-bankruptcy law only with respect to certain deposits or treasuries held by The Bank of New York Trust Company, N.A. or JPMorgan Chase Bank (the "**Escrowed Collateral**"), which are in an amount sufficient to satisfy the Class 8 Claim in full. US Bank shall receive no further distribution on account of its Class 8 Claim. US Bank shall not be required to exercise its rights against the Escrowed Collateral, and may exercise their rights in whole or in part, as US Bank may deem appropriate. All liens claimed by US Bank against property of the Debtors other than the Escrowed Collateral shall be released and discharged. All claims by US Bank against the Debtors in personam shall be released and discharged. US Bank's sole recovery pursuant to the Plan shall be from the Escrowed Collateral. Pursuant to the Plan, the Debtors shall assume the Escrow Trust Agreement with The Bank of New York Mellon, N.A., dated as of December 1, 1997. There are no assumption obligations due or payable under the foregoing agreement.

- i. Class 9. Gordon Food Service, Inc.** Class 9 consists of the secured claims of Gordon Food Service, Inc. Gordon Food Service, Inc filed a UCC Financing Statement

against the Corporation, File Number 2012-2568045-45 in the Office of the Secretary of State of the Commonwealth of Kentucky. Gordon Food Service, Inc alleges a lien on the following property:

All assets, without limitation, including all goods, equipment, inventory, vehicles, fixtures, work in process, accounts receivable, instruments, chattel paper, causes of action, general intangibles, including any liquor license(s), and all proceeds thereof.

The Corporation scheduled Gordon Food Service, Inc as a disputed secured claim in the amount of \$3,239.64. Pursuant to the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. Gordon Food Service, Inc. failed to file any claim. The Plan does not provide for any distribution to Gordon Food Service, Inc. on account of its claim. Any lien asserted or which may have been asserted by Gordon Food Service, Inc. against the Corporation is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the Corporation.

**j. Class 10. US Bank.** Class 10 consists of the secured claims of US Bank as successor to Stryker Sales Corporation. Stryker Sales Corporation filed three UCC Financing Statements against the Corporation, File Number 2011-2541741-98, File Number 2011-2542096-92, and File Number 2011-2548023-48 in the Office of the Secretary of State of the Commonwealth of Kentucky. Stryker Sales Corporation alleged a lien on the following property:

File Number 2011-2541741-98: ONE (1) 5920-011-000 SMARTPUMP DUAL CHANNEL, ONE (1) 5920-013-000 SMARTPUMP ROLLING STAND TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED THERETO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES. ANY RECEIPT OF PROCEEDS OF THE COLLATERAL BY ANOTHER SECURED PARTY VIOLATES THE RIGHTS OF SECURED PARTY.

File Number 2011-2542096-92: specific equipment as more particularly described therein, together with all replacements, parts, repairs, additions, accessions and accessories incorporated therein or affixed or attached thereto and any and all proceeds of the foregoing, including without limitation, insurance recoveries.

File Number 2011-2548023-48: ONE (1) SDC HD DIGITAL CAPTURE DEVICE- REFURBISHED, MODEL# 999999999; ONE (1) PKG, KODAK ESP 7250 PRINTER, MODEL# 0240-080-225. TOGETHER WITH ALL REPLACEMENTS, PARTS, REPAIRS, ADDITIONS, ACCESSIONS AND ACCESSORIES INCORPORATED THEREIN OR AFFIXED OR ATTACHED

THERE TO AND ANY AND ALL PROCEEDS OF THE FOREGOING, INCLUDING, WITHOUT LIMITATION, INSURANCE RECOVERIES. ANY RECEIPT OF PROCEEDS OF THE COLLATERAL BY ANOTHER SECURED PARTY VIOLATES THE RIGHTS OF SECURED PARTY.

US Bank filed Claim #18 against the District, but such claim is properly against the Corporation as the equipment in question is owned by the Corporation.

To the extent that the Class 10 Claim is allowed as a secured claim pursuant to Section 506 of the Bankruptcy Code, the holder of the Class 10 Claim shall receive a cash payment on or before the Effective Date equal to the allowed amount of its secured claim. US Bank alleges a claim in the amount of \$35,377.77 secured by the above-listed collateral, which US Bank asserts has a value of \$11,750.

Pursuant to Section 506 of the Bankruptcy Code, US Bank shall hold a secured Class 10 claim in the amount of \$11,750, and an unsecured Class 19 claim in the amount of \$23,627.77. The Debtors shall pay such Class 10 claim in full in cash prior to or within fourteen (14) days after the Effective Date of the Plan. US Bank's liens against the Debtors shall be discharged, and no lien originating prior to the commencement of the case shall attach to property of the Debtors on account of its Class 10 claim.

US Bank's liens against the Debtors shall be discharged, and no lien originating prior to the commencement of the case shall attach to property of the Debtors on account of its Class 10 claim.

**k. Class 11. Republic Bank and Med One Capital Funding LLC.** Class 11 consists of the secured claims of Republic Bank and Med One Capital Funding LLC. Republic Bank and Med One Capital Funding LLC filed a UCC Financing Statement against the Corporation and Casey County Hospital, File Number 2010-2468012-96 in the Office of the Secretary of State of the Commonwealth of Kentucky. On February 24, 2012, Republic Bank filed an amendment to the UCC Financing Statement to change the debtor therein to Casey County Primary Care; Casey County Family Practice; Casey County Hospital. Republic Bank and Med One Capital Funding LLC alleged a lien on a Hamilton C2 Package, supplied by Hamilton Medical, Inc., located at Casey County Hospital, 187 Wolford Avenue, Liberty KY 42539.

The Corporation scheduled Republic Bank and Med One Capital Funding LLC as disputed secured claims in the amount of \$0.00. Pursuant to the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. Republic Bank and Med One Capital Funding LLC failed to file any claim. The Plan does not provide for any distribution to Republic Bank or Med One Capital Funding LLC on account of their claim.

Any lien asserted or which may have been asserted by Republic Bank and Med One Capital

Funding LLC against the Corporation is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the Corporation.

- l. Class 12. General Electric Capital Corporation.** Class 12 consists of the claims of General Electric Capital Corporation. General Electric Capital Corporation filed a UCC Financing Statement against the Corporation, File Number 2002-1887599-71 in the Office of the Secretary of State of the Commonwealth of Kentucky. On December 12, 2012, the UCC Financing Statement lapsed. General Electric Capital Corporation claimed a lien on the following property:

One (1) GE Medical Systems Vivid 7 Pro. And all additions, accessions, modifications, improvements, replacements, substitutions, and accessories thereto and therefor or hereafter acquired.

The Corporation scheduled General Electric Capital Corporation as disputed secured claims in the amount of \$0.00. Pursuant to the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. General Electric Capital Corporation failed to file any claim. The Plan does not provide for any distribution to General Electric Capital Corporation on account of their claim. Any lien asserted or which may have been asserted by General Electric Capital Corporation against the Corporation is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the Corporation.

- m. Class 13. Monticello Banking Co.** Class 13 consists of the claim of Monticello Banking Co. against the Corporation, which claim is secured by a consensual Mortgage dated January 10, 2007, in the original amount of \$3,000,000.00, with advances not to exceed \$3,800,000.00, which is recorded in the Adair County Clerk's Office in Mortgage Book 260, Page 325. Pursuant to the mortgage, Monticello Banking Co claims a mortgage interest in the property commonly known as Westlake Regional Hospital (Deed Book 130, Page 83 in the Adair County Clerk's Office),

The Corporation scheduled Monticello Banking Co as disputed secured claims in the amount of \$0.00. Pursuant to the Bar Date Order, holders of Disputed Claims were required to file a proof of claim no later than 5:00 pm on October 29, 2013. Monticello Banking Co. failed to file any claim. The Plan does not provide for any distribution to Monticello Banking Co Corporation on account of their claim. Any lien asserted or which may have been asserted by Monticello Banking Co against the Corporation is avoided pursuant to 11 U.S.C. § 506, and no lien originating prior to the commencement of the case shall attach to property of the Corporation.

- n. Class 14. The Commonwealth of Kentucky.** Class 14 consists of the claims of the Commonwealth of Kentucky for recoupment of overpayments on Medicaid services provided by the District. The Commonwealth of Kentucky would have rights of recoupment to withhold funds due to the District for future Medicaid services to satisfy such debt,

notwithstanding the automatic stay afforded by the Bankruptcy Code. The Commonwealth of Kentucky has asserted a claim in the amount of \$7,585,306.62 against the District.

The Commonwealth of Kentucky alleges it would have the right to recoup Medicaid funds due to the District to recover its claim in full. *See In re CDM Management*, 226 B.R. 195, 197 (Bankr. S.D. Ind. 1997) (citing *In re Public Service Co. of New Hampshire*, 107 B.R. 441, 445 (Bankr. D.N.H. 1989)). As of the date of this Disclosure Statement, the Commonwealth of Kentucky has voluntarily refrained from recoupment activities.

The District shall assume and assign its executory contracts with the Commonwealth of Kentucky pursuant to the Plan. Prior to or within fourteen (14) days after the Effective Date, the Commonwealth of Kentucky shall receive a cure payment in the amount of no more than \$2,168,715.00 from the District in full satisfaction and settlement of the Class 14 claim and as adequate assurance of future performance from the New Operator. The Commonwealth of Kentucky shall not receive any additional adequate assurance of future payment and performance from the New Operator.

The cure payment would be in full and final satisfaction and settlement of any claims for the cure of any defaults or compensation for any actual pecuniary loss arising under any of the Provider Agreements prior to the Effective Date. The claims of the Commonwealth of Kentucky would be deemed satisfied and waived in full upon the Effective Date. The cure payment would also be deemed to satisfy any obligation to reimburse any other person or governmental unit on account of any alleged Medicaid overpayments due to the Commonwealth of Kentucky existing on the Effective Date, whether known or unknown, not otherwise satisfied by the cure payment.

- o. Class 15. The United States of America.** Class 15 consists of the claims of the United States of America for recoupment of overpayments on Medicare services provided by the District. The United States of America would have rights of recoupment to withhold funds due to the Debtor for future Medicare services to satisfy such debt, notwithstanding the automatic stay afforded by the Bankruptcy Code. The United States of America has asserted a claim in the amount of \$505,934.00 against the District, but has not filed a proof of claim for such amount.

The United States of America alleges it would have the right to recoup Medicare funds due to the District to recover its claim in full. *See In re CDM Management*, 226 B.R. 195, 197 (Bankr. S.D. Ind. 1997) (citing *In re Public Service Co. of New Hampshire*, 107 B.R. 441, 445 (Bankr. D.N.H. 1989)). As of the date of this Disclosure Statement, the United States of America has refrained from such recoupment activities, and the District is making payment obligations under the CMS Repayment Agreement for the \$505,934 overpayment due pursuant to the June 30, 2010, notice of program reimbursement.

The District shall assume and assign its executory contracts with the United States of America

pursuant to the Plan. Prior to or within fourteen (14) days after the Effective Date, the United States of America shall receive any cure payment in the amount of no more than \$334,217.45 from the District in full satisfaction and settlement of the Class 15 claim and as adequate assurance of future payment and performance from the New Operator. The United States of America shall not receive any additional adequate assurance of future payment and performance from the New Operator.

The cure payment would be in full and final satisfaction and settlement of any claims for the cure of any defaults or compensation for any actual pecuniary loss arising under any of the Provider Agreements prior to the Effective Date. The claims of the United States of America would be deemed satisfied and waived in full upon the Effective Date. The cure payment would also be deemed to satisfy any obligation of the United States of America the District's outstanding payment obligations under the CMS Repayment Agreement for the \$334,217.45 overpayment due pursuant to the June 30, 2010, notice of program reimbursement. The cure payment would also be deemed to satisfy any obligation to reimburse any other person or governmental unit on account of any alleged Medicare overpayments due to the United States of America existing on the Effective Date, whether known or unknown, not otherwise satisfied by the cure payment.

- p. Class 16. Other Creditors with Rights of Recoupment.** Class 16 consists of claims of creditors not otherwise classified who hold rights of recoupment. Any creditor may assert a right of recoupment by moving the Bankruptcy Court for a determination that such action exists prior to the first day set for the hearing on the confirmation of the Plan. Any creditor who does not assert such recoupment right by motion shall be deemed to have waived any such right. In the event the creditor otherwise holds an Allowed Class 19 Claim filed prior to the Bar Date, such creditor shall participate in Class 19.

Upon entry of a final, unappealable Order by the Bankruptcy Court that a creditor is a member of Class 16, each member of Class 16 shall be entitled to exercise any right of recoupment it may possess. Any remaining amount owed to a member of Class 16 would be entitled to distribution as a Class 19 claim.

- q. Class 17. Executory Contracts and Leases Cure Claims.** Class 17 consists of the claims of parties to executory contracts and leases the Debtors assume, or assume and assign, pursuant to the Plan or by separate Order of the Bankruptcy Court to the extent such claim is allowed to cure any default by the Debtors pursuant to such contract as provided in 11 U.S.C. § 365(b)(1).

The Debtors shall identify all executory contracts and leases to be assumed, cured, and assigned prior to the Effective Date of the Plan. The Debtors will not assume any executory contract or lease unless such executory contract or lease is assigned, except as stated in this subsection. The assignee of such executory contract or lease shall pay all amounts due to cure any deficiencies arising thereunder.

The sole executory contract to be assumed by the District which shall not be assigned is the Escrow Trust Agreement with The Bank of New York Mellon, N.A., dated as of December 1, 1997, which contract relates to the Class 8 Claim.

Unless a party to such contract objects prior to the confirmation of the Plan, the New Operator shall pay such claims in equal monthly payments over sixty (60) months. Any holder of a Class 17 claim may assert a right to a cure payment by moving the Bankruptcy Court for a determination that such right to a cure payment exists prior to the first day set for the hearing on the confirmation of the Plan. Any creditor who does not assert such right by motion shall be deemed to have waived any such right. In the event the creditor otherwise holds an Allowed Class 19 Claim filed prior to the Bar Date, such creditor shall participate in Class 19. Any holder of a Class 17 claim shall receive any cure payment or adequate assurance of future payment and performance from the assignee of such executory contracts. No distribution shall be made from the Debtors on account of any Class 17 claim.

- r. **Class 18. Farmers Bank.** Class 18 consists of the claims of Farmers Bank, as described more particularly in the treatment for Class 1 and Class 7 claims.

Following the payment of Class 19 claims, the remaining Net Assets shall be distributed to holders of Class 18 claims in the following manner. The District shall continue to assess the Hospital District Tax until December 31, 2025, and add any amounts received on account of such tax years to the Net Assets. After deducting the expenses of the Plan, the District shall make distributions to members of Class 18, of the Net Assets beginning no later than January 31 of the year following payment of Class 19 Claims pursuant to the Plan, and continuing every January 31 thereafter until January 31, 2027, on which date the District shall distribute any remaining Net Assets to holders of Class 18 claims. Payments received by Class 18 claimants pursuant to the Plan shall be deemed payment in full.

Notwithstanding the foregoing, Farmers Bank shall not receive, on account of its Class 18 Claims, a sum greater than \$6,983,567.57. Furthermore, the District may reserve an amount it considers, in its sole discretion, as reasonable to pay the ongoing and expected expenses of the District, provided however that Class 18 shall receive a minimum of \$500,000.00 per year commencing the year following the payment of Class 19 claims. The Debtors expect that distributions to Class 18 would be higher than the minimum amount.

Farmers Bank may, in the exercise of its sole discretion, allocate payments received on account of Class 18 claims to either or both of those claims described in Class 1 or Class 7, on whatever percentages and terms Farmers Bank deems advisable.

- s. **Class 19. Allowed General Unsecured Creditors.** Class 19 consists of the claims of allowed general unsecured creditors. The Debtors filed Lists of Creditors as required by Section 924 of the Code. A Proof of Claim is deemed filed for any Claim that appears in the List of Creditors that was filed in this case, except a Claim that is scheduled as dis-



puted, contingent, or unliquidated as to amount. If a creditor agrees with the amount of the Claim as listed by the Debtor and such Claim was not listed as disputed, contingent, or unliquidated, the holder of that Claim was not required to file a Proof of Claim. However, if (i) the Debtors did not list a holder's Claim, (ii) the Debtors listed such holder's Claim as disputed, contingent, or unliquidated, or (iii) the amount the Debtors listed for the holder's Claim varies from the amount claimed by the holder of such Claim, the holder of such Claim must have filed a Proof of Claim in the amount of such Claim in accordance with the Bar Date Order.

Each holder of an Allowed General Unsecured Claim shall receive a Pro Rata share of the Net Assets, as determined by the District pursuant to the terms of the Plan. Class 19 General Unsecured Claims are subject to all statutory and contractual subordination grounds available to the Debtors. Class 19 claims shall share in the Net Assets without regard to whether such holder's claim is against the District or the Corporation.

Notwithstanding any other provision of the Plan, any member of Class 19 that is not otherwise may elect to have its claim treated as a Class 20 claim. Such holder shall, on or before the Voting Deadline, elect treatment under Class 20 pursuant to the ballot for voting on the plan. Any holder of a Claim that would otherwise have been classified in Class 19, but for the timely election on the ballot by such holder to reduce the aggregate of all its Claims to a single Convenience Claim of \$5,000 and participate in Class 20, shall be deemed to have irrevocably (i) waived any right to participate in Class 19 as to any and all Claims held by such holder and shall receive no distribution under Class 19, and (ii) released the Debtors from any and all liability for any amount in excess of \$5,000 or any additional or other Claims.

Prior to or within fourteen (14) days after the Effective Date, the District shall distribute the Net Assets to Classes 1 through 17 as provided in the Plan, and pay all Allowed Administrative Claims. The District shall continue to assess the Hospital District Tax until the Class 19 Final Tax Year, and add any amounts received on account of such tax years to the Net Assets. The District shall, from the Net Assets accrued pursuant to the Hospital District Tax levied during such time period, make payment to the members of Class 19 until members of Class 19 have received a maximum of 25% of their claims, which shall be deemed payment in full. Notwithstanding any of the foregoing, the District may reserve an amount it considers, in its sole discretion, as reasonable to pay the ongoing and expected expenses of the District.

The "**Class 19 Final Tax Year**" shall mean the calendar year ending December 31, 2017, or such later year as may be necessary to collect the Net Assets necessary to distribute the lower of \$981,183.64 to holders of Class 19 Claims, or 25% of such claims.

The Debtors estimate that they will be able to distribute a minimum of \$500,000 per year to members of Class 19, but the Debtors recognize that additional and unforeseen costs of administering the Plan may decrease such amount.

The following are the members of Class 19:

Alpha General Imaging	\$14,741.94
Bamill, LLC dba Office Equip. Rental Co	\$33,534.71
Beckman Coulter	\$47,304.35
Bradley Arant Boult Cummings LLP	\$19,529.00
Cardinal Health 200 LLC	\$100,229.72
Casey County Hospital District	\$10,968.76
Casey County Hospital District	\$173,431.76
Coventry Health and Life Insurance Company	\$167,939.00
Coventry Health and Life Insurance Company	\$83,627.31
Danville Office Equipment	\$7,206.24
De Lage Landen Financial Services	\$6,608.60
Dressman Benzinger Lavelle PSC	\$5,817.90
Fisher Scientific Co, LLC	\$15,551.33
Frost Brown Todd, LLC	\$116,782.85
Gary L. Partin, M.D.	\$61,453.08
GE Healthcare Systems	\$34,087.88
George Cowan, John Thompson, Larry Noe	\$28,000.00
Hospira Worldwide, Inc.	\$26,352.83
Humana Inc. and its affiliates	\$8,691.43
IES Med Plus of Kentucky, LLC	\$35,855.94
Jane Todd Crawford Hospital	\$10,216.42
Kentucky Unemployment Insurance Fund	\$277,834.53
Key Shopping Center, LLC	\$40,100.00
Laboratory Corporation of America	\$37,824.19
MedAssets Net Revenue Systems, LLC	\$10,490.00
Passport Health Communications	\$6,835.17

Press Ganey	\$22,274.00
Psychiatric Resource Partners	\$141,367.83
Psychiatric Resource Partners	\$1,299,329.26
Qaulity Systems, Inc.	\$554,831.95
Smith Drug Co. Div of J M Smith Corp	\$15,771.38
Spectrum Health Partners, LLC	\$160,943.48
Spectrum Health Partners, LLC	\$100,000.00
T-System	\$8,646.00
US Bank NA dba US Bank Equipment Finance	\$23,627.77
WW GRAINGER	\$7,203.10
Total Class 19 Claims	\$3,749,778.47

- t. **Class 20. Convenience Class of Allowed General Unsecured Creditors.** Class 20 consists of claims of allowed general unsecured creditors which would otherwise be classified as Class 19, but which claims are less than or equal to \$5,000. The Debtors filed Lists of Creditors as required by Section 924 of the Code. A Proof of Claim is deemed filed for any Claim that appears in the List of Creditors that was filed in this case, except a Claim that is scheduled as disputed, contingent, or unliquidated as to amount. If a creditor agrees with the amount of the Claim as listed by the Debtor and such Claim was not listed as disputed, contingent, or unliquidated, the holder of that Claim was not required to file a Proof of Claim. However, if (i) the Debtors did not list a holder's Claim, (ii) the Debtors listed such holder's Claim as disputed, contingent, or unliquidated, or (iii) the amount the Debtors listed for the holder's Claim varies from the amount claimed by the holder of such Claim, the holder of such Claim must have filed a Proof of Claim in the amount of such Claim in accordance with the Bar Date Order.

As soon as practicable after the Effective Date of the Plan, the District shall distribute to each Holder of an Allowed Class 20 Claim a distribution totaling 50% of their claims. Class 20 claims shall share in the distribution without regard to whether such holder's claim is against the District or the Corporation.

The following are the members of Class 20:

AIG PROPERTY CASUALTY INC	\$ -
Airgas USA, LCC South Division	\$2,908.69

Arizant Healthcare Inc.	\$2,124.40
Belegio & Associates, Inc	\$269.08
C.R. Bard, Inc.	\$1,449.00
Carstens, Inc.	\$257.03
Chemaqua	\$1,944.55
Coventry Health and Life Insurance Company	\$518.74
Covidien	\$3,889.14
GE Healthcare Systems - Datex Ohmeda	\$449.14
Hill-Rom J36	\$2,434.56
Immucor, Inc.	\$2,993.37
Kentucky Utilities	\$3,114.85
Maine Standards Co., LLC	\$2,345.36
Phoenix Textile Corporation	\$88.08
Pitney Bowes	\$2,164.85
Pitney Bowes	\$1,390.64
Pitney Bowes	\$713.46
Pitney Bowes Global Financial Services LLC	\$1,338.40
Pitney Bowes Inc	\$4,059.60
Pitney Bowes Inc	\$698.02
Tigerdirect, Inc.	\$1,877.03
Tri-anim Health Services, Inc.	\$604.72
Total Class 20 Claims	\$37,632.71

The Debtors estimate that approximately \$37,632.71 in non-duplicated, non-settled claims have been filed against the Debtors and would be treated as Class 20 claims, and Class 20 claims would therefore receive an aggregate payment of approximately \$18,816.36.

- u. Class 21. Subordinated Claims.** Class 21 consists of claims that would otherwise be allowed as Class 19 claims, but which would be subordinated pursuant to section 726(a)(3), (4), and (5) or section 510(c) of the Bankruptcy Code. Holders of Class 21 claims shall

receive no distribution pursuant to the Plan on account of their claims. All otherwise-classified claims are subject to all statutory and contractual subordination grounds available to the Debtors. Class 21 includes, but is not limited to, the claim of the County of Adair, a/k/a the Adair County Fiscal Court.

- v. **Class 22. Claims Receiving No Distribution.** Class 22 consists of those claims for which the Plan provides no distributions, but who may be otherwise eligible to receive a distribution. Holders of Class 22 claims shall receive no distribution pursuant to the Plan on account of their claims.

Class 22 includes any deficiency claims of Farmers Bank under, or any further claims related to, the Revenue Refunding Bond Anticipation Notes, Series 2010 No. R-1 dated October 14, 2010, or the Contract, Lease and Option dated October 1, 2010, other than as provided in Class 7, to the extent Farmers Bank does not allocate any payments made to Farmers pursuant to Class 18 to such Claim.

Class 22 also includes any claims of the District against the Corporation, or of the Corporation against the District.

#### **IV. ACCEPTANCE OR REJECTION OF THE PLAN**

##### *A. Claimants Entitled to Vote to Accept or Reject the Plan.*

##### 1. Allowance for Voting Purposes.

All creditors holding Allowed Claims in an Impaired Class that are not deemed to reject the Plan may vote to accept or reject the Plan. Generally, a claim is deemed “allowed” for voting purposes if a proof of claim was timely filed, and no objection to the claim has been filed that has not been resolved. If such an objection has been filed, the Claimant cannot vote on the Plan unless the Bankruptcy Court, after notice and hearing, either overrules the objection or temporarily allows the claim for voting purposes pursuant to Bankruptcy Rule 3018(a). Thus, the definition of “Allowed Claim” used in the Plan for purpose of determining whether creditors are entitled to receive distributions is different from that used by the Bankruptcy Court to determine whether a particular claim is “allowed” for purposes of voting. Holders of claims are advised to review the definitions of “Allowed,” “Claim,” and “Disputed” set forth in Article I of the Plan to determine whether they may be entitled to vote on, and/or receive distributions under, the Plan.

##### 2. Impaired Classes of Claims.

As noted above, the holder of a Claim has the right to vote on the Plan if that claim is allowed and classified into a Class that is Impaired under the Plan and that is not deemed to reject the Plan. A Class is Impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class with respect to their claims or interests. The Debtor believes that all

Classes are Impaired under the Plan.

3. Claimants Not Entitled to Vote.

The holders of the following types of claims are not entitled to vote on the Plan: (a) Claims that have been disallowed; (b) Claims that are subject to a pending objection and which have not been allowed for voting purposes pursuant to Bankruptcy Rule 3018(a); (c) Claims that are not impaired or are deemed to reject the Plan; and (d) Claims entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code (defined as “Allowed Administrative Claims” in the Plan). Holders of Allowed Administrative Claims are not entitled to vote because such claims are not classified and are required to receive certain treatment specified by the Bankruptcy Code. Any party that disputes the characterization of its claim as unimpaired, however, may request that the Bankruptcy Court find that its Claim is Impaired in order to obtain the right to vote on the Plan.

*B. Vote Required for Class Acceptance.*

As part of the Confirmation Hearing, the Bankruptcy Court will determine whether the Impaired voting classes have accepted the Plan by determining whether sufficient acceptances have been received from the holders of Allowed Claims in such Classes. An Impaired Class of Claims will be determined to have accepted the Plan if the holders of Allowed Claims in the Class casting votes in favor of the Plan (i) hold at least two-thirds of the allowed amount of the Allowed Claims of the holders in such Class who vote, and (ii) constitute more than one-half in number of holders of the Allowed Claims in such Class voting on the Plan. Ballots of holders of Impaired Claims that are signed and returned, but not expressly voted for either acceptance or rejection of the Plan, may be disqualified or counted as Ballots for the acceptance of the Plan if permitted by the Bankruptcy Court. Except as may be allowed by the Bankruptcy Court, a Ballot accepting the Plan may not be revoked.

*C. Possible Reclassification of Creditors.*

The Debtors are required pursuant to Section 1122 of the Bankruptcy Code to place Claims in Classes that contain Claims substantially similar to each other. While the Debtors believe they have classified all Claims in compliance with Section 1122, it is possible a creditor may challenge the Debtors’ classification of such creditor’s Claim. If the Debtors are required to reclassify any Claims under the Plan, the Debtors, to the extent permitted by the Bankruptcy Court, intends to continue to use the acceptances received from any creditor pursuant to the solicitation of acceptance of this Plan for the purpose of obtaining the approval of the Class or Classes of which such creditor is ultimately deemed a member. Any reclassification of Claims could adversely affect the Class in which such Claims were initially a member, or any other Class under the Plan, by changing the composition of such Class and the required vote thereof on approval of the Plan. Further, a reclassification of Claims could necessitate the re-solicitation of votes.

*D. Nonconsensual Confirmation*

Without limiting the foregoing, in the event that any Class of Claims entitled to vote on the Plan fails to accept the Plan as required by section 1129(a) of the Bankruptcy Code, the Plan may be amended and, in any event, the Debtors reserve the right to seek confirmation of the Plan over such rejection pursuant to section 1129(b) of the Bankruptcy Code.

*E. How to Vote*

Holders of Claims are instructed to complete all required information on the ballot, execute the Ballot, and return the completed Ballot to

If by Regular U.S. Mail: Seiller Waterman LLC  
Attn: Rebecca Swann  
462 South Fourth Street, 22nd Fl.  
Louisville, Kentucky 40202

If by Facsimile: (502) 371-9253

If by Electronic Mail: swann@derbycitylaw.com  
Subject: 13-10939 Adair County Hospital District ballot or  
13-10940 Adair County Public Hospital District Corporation ballot

Your ballot must be received by the Voting Deadline (as described in the Order Approving the Disclosure Statement or other Bankruptcy Court Order, and in the absence of such order, seven (7) days prior to the first date set for the hearing on the confirmation of the Plan) or it will not be counted. Any failure to follow the voting instructions included with the relevant Ballot may disqualify that Ballot and the corresponding vote.

ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED AND SHALL BE DEEMED INVALID AND INEFFECTIVE (UNLESS OTHERWISE ALLOWED UNDER THE SOLICITATION PROCEDURES ORDER OR OTHER ORDER OF THE BANKRUPTCY COURT).

**V. MEANS FOR IMPLEMENTATION OF THE PLAN**

1. Available Cash

On or as soon as practical following the Effective Date, an account to hold all cash of the Debtors received from the closing of the sale to the New Operator, together with all cash of the District on the closing date (together, the “**Net Assets**”) shall be opened by the District and funded with all cash of the Debtors, which funds shall constitute the Net Assets. Thereafter, from time to time, upon receipt of any additional assets or proceeds of assets, the District shall deposit such

funds into the account and shall become part of the Net Assets. The confirmation order will appoint the District as the disbursing agent under the Plan for the purposes set forth in Section 944(b)(2) of the Bankruptcy Code.

An estimate of the Debtors' sources and uses of cash available to contribute to the Net Assets is attached hereto as Exhibit I. The Debtors anticipate that all other cash would be depleted during ordinary course operations prior to December 31, 2015. However, the Debtors may have more or less cash available to contribute to the Net Assets on the Effective Date.

## 2. Sale of Real and Personal Property

Pursuant to section 1123(a)(5)(D) of the Bankruptcy Code, the Debtors shall sell all real or personal property owned by the Debtors to T.J. Regional Health, Inc. or an affiliate thereof (the "**New Operator**") pursuant to a private sale. Such property shall not include the cash or deposit accounts of the Debtors. The sale would be free and clear of all liens, claims, and interests. In exchange, the New Operator shall pay to the District the sum of \$3,200,000.00, or such other amount as may be adjusted pursuant to the Asset Purchase Agreement, which shall be added to the Net Assets. A draft copy of the asset purchase agreement with the Debtors and the New Operator is attached hereto as Exhibit J (the "**Asset Purchase Agreement**").

The reversal or modification on appeal of the Confirmation Order does not affect the validity of the sale pursuant to the Confirmation Order to the New Operator, whether or not the New Operator knew of the pendency of the appeal, unless such the Confirmation Order and such sale or lease is stayed pending appeal. The Confirmation Order shall provide that the New Operator consummated the sale in good faith.

## 3. Limitation of Competing Bids

The sale contemplated by the Plan is a private sale between the Debtors and the New Operator, to be consummated following prior failed attempts to sell the Hospital as a going concern. The Debtors and the New Operator have, and continue to, expend significant amounts of resources toward consummating the sale. A competing bid would introduce uncertainty and additional cost to the sale process.

Pursuant to 11 U.S.C. § 904, the Court may not interfere with the political or governmental powers of the Debtors, nor the property of the Debtors, without their consent. The Debtors do not consent to the sale of their property to any person other than the New Operator. To require the Debtors to submit their property for public auction would interfere with the property of the Debtors and interfere with the Debtors' political and governmental decisions about the person in whom the Debtors are entrusting with the responsibility to provide the public function of operating the County's Hospital and continuing to provide hospital services to the community.

The Plan finds that there is cause to disallow any competing bids to the extent such bids would



otherwise be required.

#### 4. Limitation of Credit Bids

The sale is not required to be, and is not, subject to credit bids as provided by 11 U.S.C. § 1129(b)(2), made applicable herein pursuant to 11 U.S.C. §§ 901 and 943(b)(1). No secured creditor may credit bid in connection with the sale to the New Operator. 11 U.S.C. § 1129(b)(2)(A)(ii) applies only to sales “subject to section 363(k).” 11 U.S.C. § 363, in its entirety, has not been incorporated into Chapter 9, *see* 11 U.S.C. § 901, and the sale pursuant to the Plan is not one subject to 11 U.S.C. § 363(k).

Furthermore, pursuant to 11 U.S.C. § 904, the Court may not interfere with the political or governmental powers of the Debtors, nor the property of the Debtors, without their consent. The Debtors do not consent to the sale of their property to any person other than the New Operator. To require the Debtors to submit their property for public auction would interfere with the property of the Debtors and interfere with the Debtors’ political and governmental decisions about the person in whom the Debtors are entrusting with the responsibility to provide the public function of operating the Hospital and continuing to provide hospital services to the community. No secured creditor has either the expressed intent or the demonstrated ability to operate the Hospital or provide public services to the people of the County, and this limitation is necessary to ensure the continuance of municipal services to the community.

No creditor holds a lien on all property to be sold pursuant to the Plan. If the sale required a complicated valuation process in order to determine the portion of the any bid that may be a credit bid, and which portion would be required to be in cash, this process would cause unnecessary delay and uncertainty that would impair the Debtors’ ability to ultimately close the sale with the New Operator.

The Plan finds that there is cause to disallow any credit bids to the extent such bids would otherwise be required.

#### 5. Assignment of Executory Contracts and Unexpired Leases

Pursuant to Section 1123(b)(2) of the Bankruptcy Code, the Debtors shall assume and assign certain executory contracts and unexpired leases to the New Operator. The New Operator shall have the right to identify executory contracts and unexpired leases of the Debtors for assumption and assignment at any point prior to five days prior to the Voting Deadline. To the extent an executory contract or unexpired lease other than the Provider Agreements is assumed and assigned pursuant to the Plan, the Debtors shall have no further obligation thereon or liability therefore, including for any action or payment required in connection with such assumption or assignment. Any assumption obligations or cure payments under any contracts or leases assigned to the New Operator shall be the responsibility solely of the New Operator.

## 6. Assignment of Provider Agreements

Pursuant to Section 1123(b)(2) of the Bankruptcy Code, on the Effective Date the Debtors shall assume and assign to the New Operator their (a) provider agreements with administrative identifiers 18-0149, 18-3998, 18-3994, 18-3446 and 18-3970 under the Medicare program with the Centers for Medicare & Medicaid Services (“**CMS**”), and (b) provider agreements with the Kentucky Cabinet for Health and Family Services (“**Cabinet**”) under the Medicaid program (collectively, “**Provider Agreements**”). The District will make the a payment to CMS and the Cabinet in full and final satisfaction and settlement of any claims for the cure of any defaults or compensation for any actual pecuniary loss arising under any of the Provider Agreements prior to the Effective Date, and as adequate assurance of future performance of such Provider Agreements by the New Operator. The assumption payment for the Cabinet shall be an amount specified for payment in Class 14. The assumption payment for CMS shall be an amount specified for payment in Class 15. With the exception of the assumption payments, upon and following the Effective Date, no further or additional amounts are or shall become due or payable, whether by recoupment, offset, reimbursement or otherwise, by the Debtors to CMS or the Cabinet on account of any transaction, occurrence, act or omission arising prior to the Effective Date under any of the Provider Agreements. For the avoidance of doubt, the assumption payment shall include and satisfy the District’s outstanding payment obligations under the CMS Repayment Agreement for the \$334,217.45 overpayment due pursuant to the June 30, 2010, notice of program reimbursement.

The New Operator is an intended independent third party beneficiary of this provision. The New Operator’s willingness to perform its obligations pursuant to the Plan is conditioned upon the assignment of the Provider Agreements as provided herein.

## 7. Future Tax Allocation

Following the Effective Date, the District would continue to assess the Hospital District Tax until December 31, 2025. The District shall add amounts received from the Hospital District Tax (“**Tax Allocation**”) to the Net Assets for distribution pursuant to the Plan. The Plan binds the District to insure the timely implementation and collection of the Tax, and requires the payment of the Tax Allocation whether or not the New Operator continues to operate the Hospital. The Bankruptcy Court would retain jurisdiction to implement and enforce the terms of the Plan, if necessary.

The District may, but shall not be required by the Plan, continue to implement the Hospital District Tax at the same or different rate following December 31, 2025, but shall not be required to add such amounts to the Net Assets or distribute them pursuant to the Plan.

## 8. Handling and Collection of Net Assets and Distribution of Net Assets

The District shall hold the Net Assets and act as the disbursing agent. In addition, from and after

the Effective Date, except as otherwise provided in the Plan or in the Confirmation Order, the District shall be free to operate without any limitation or restriction by, and without any requirement to comply with, the Bankruptcy Code or Bankruptcy Rules. All property realized or obtained by the District shall be added to the Net Assets and such funds shall be held as the Net Assets. All Net Assets shall be held by the District and shall be distributed to Creditors in accordance with the Plan, and section 1123 of the Bankruptcy Code, to the extent made applicable herein by section 901(a) of the Bankruptcy Code.

#### 9. Substantive Consolidation

Holders of Claims against the Debtors shall be substantively consolidated. Many of the Debtors' contracts and leases were entered into in the name of "Westlake Regional Hospital" or "Westlake Cumberland Hospital." The Kentucky Secretary of State shows both of these names are assumed names of the Corporation. The District, however, is the entity that has operated the Hospital, which has employed the employees, and which holds the Provider Agreements. Nevertheless, there are certain contracts that are entered into by "the Adair County Hospital District d/b/a Westlake Regional Hospital," or similar nomenclature. Furthermore, the District believes that some contracts and leases entered into under the name of Westlake Regional Hospital were in fact contracts of the District. For example, the contract to provide administrative services for the employees at the Hospital, who are employed by the District, was entered into by Westlake Regional Hospital. It follows from the employment that contracts related to employment benefits should go to the same entity. However, other contracts and leases may not be as clear.

Additionally, some proofs of claim appear to show the Corporation as having incurred the claim. This is doubtless because creditors attempting to find the legal name of their obligor would have resorted to the Secretary of State, which compiles the records of the Corporation but not of the District. Many claimants, still unsure of their obligor, filed proofs of claim against both Debtors.

Failing to substantively consolidate would harm innocent unsecured creditors who dealt with the Debtors, but whose claims the Debtors may be able to show are against the Corporation only. In the absence of substantive consolidation, such claims would likely receive no payment. Only capital assets, particularly the real estate and certain equipment, are held in the name of the Corporation, which are secured by various Secured Claims. These creditors would not have rights to receive any portion of the Hospital District Tax, which is intended to be used to pay unsecured claims. It would cause the Debtors to incur additional expense objecting to claims as being filed against the improper Debtor, require the Debtors to value any other claims and defenses one Debtor may have against the other, and require the Debtors to allocate each dollar to be received in collection to the sale to each piece of property. At least with respect to tangible personal property, such an action would also require review of thirty-five years of records to determine the name of the Debtor on each invoice or contract and, when a legal name is not used or cannot be found, establish a regime for allocating such property between the Debtor and the Corporation. The Debtors believe such a system is unworkable, and any attempts to implement it would ultimately reduce the amounts to be distributed to creditors pursuant to the Plan.

Substantive consolidation does have the effect of potentially impairing holders of unsecured claims, as it expands the pool of unsecured creditors with which all will share.

Pursuant to the Plan, all claims against the Debtors will be paid pursuant to the Plan from the Net Assets, without regard to whether any of the Net Assets are attributable to property of the Corporation or the District and without regard to whether a Claim is held against the Corporation or the District.

#### 10. Litigation

Except as otherwise provided in the Plan or the Confirmation Order, all rights of action are released and waived.

#### 11. Payment of Plan Expenses

All Plan Expenses may be paid by the District without further notice to creditors or approval of the Bankruptcy Court. The District may delegate its duties pursuant to the Plan, including its role as disbursement agent, and pay compensation for services rendered in connection with such delegation.

#### 12. Distribution of Net Assets

The Net Assets shall be used to satisfy the payments required under the Plan, provided that the District shall only distribute Net Assets to the Holders of Allowed Claims in such amounts and at such times as are set forth in the Plan. No payments or distributions shall be made by the District on account of Disputed Claims unless and to the extent such Claims become Allowed Claims. The Net Assets allocated to Disputed Claims will not be distributed but will be reserved by the District in accordance with the Plan pending resolution of such Disputed Claims.

#### 13. Full and Final Satisfaction

Commencing upon the Effective Date, the District shall be authorized and directed to distribute the amounts required under the Plan to the Holders of Allowed Claims according to the provisions of the Plan. Upon the Effective Date, all Debts of the Debtors shall be deemed fixed and adjusted pursuant to the Plan and the Debtors shall have no liability on account of any Claims or Interests except as set forth in the Plan. All payments and all distributions made by the District under the Plan shall be in full and final satisfaction, settlement and release of all Claims against the Debtors.

#### 14. Distribution Procedures

Except as otherwise agreed by the Holder of a particular Claim, or as provided in the Plan, all

amounts to be paid by the Debtors under the Plan shall be distributed in such amounts and at such times as is reasonably prudent. On the Effective Date, or as soon as practicable thereafter, the subject to the Plan, the District shall: (i) marshal all then available Net Assets; (ii) to the extent of unencumbered Cash or Cash distributable to the Holders of Allowed Claims, establish and fund an account pursuant to the Plan; (iii) promptly pay the Holders of (a) Allowed Administrative Claims, (b) Allowed Professional Fee Claims, and (c) the Holders of Allowed Claims as provided for under the Plan; and (iv) make interim and final distributions of Net Assets to the Holders of Allowed Class 18 and Class 19 Claims from the Net Assets in the amounts and according to the priorities set forth in the Plan. Notwithstanding any provision to the contrary in the Plan, distributions may be made in full or on a Pro Rata basis depending on: (x) the amount of the Allowed Claim, (y) the then available Net Assets, and (z) the then anticipated Net Assets. The District shall make the Cash payments to the Holders of Allowed Claims: (aa) in U.S. dollars by check, draft or warrant, drawn on a domestic bank selected by the District in its sole discretion, or by wire transfer from a domestic bank, at the option, and (bb) by first-class mail (or by other equivalent or superior means as determined by the District).

#### 15. Resolution of Disputed Claims

All objections to Claims shall be filed and served not later than ninety (90) days following the Effective Date (the “**Claims Objection Deadline**”). If an objection is not timely filed, any remaining Disputed Claims shall be deemed to be Allowed Claims for purposes of the Plan. The Plan does not limit the standing of any party-in-interest to object to a Claim. Unless a party other than a Debtor has filed an objection, the Debtors are authorized to settle, or withdraw any objections to, any Disputed Claim following the Effective Date without further notice to Creditors or authorization of the Bankruptcy Court, in which event such Claim shall be deemed to be an Allowed Claim in the amount compromised for purposes of the Plan. If a party other than a Debtor has filed an objection to a Claim, the Debtors are authorized to settle the Disputed claim following the Effective Date pursuant to Rule 9019 of the Bankruptcy Rules, in which event such Claim shall be deemed to be an Allowed Claim in the amount compromised for purposes of the Plan. Under no circumstances will any distributions be made on account of Disallowed Claims.

#### 16. Net Asset Account

On or as soon as practicable after the Effective Date, the District shall: (a) to the extent of any Cash or, where applicable, unencumbered Cash, create and fund the Net Asset Account, and (b) periodically deposit the Cash from the Net Assets into the Net Asset Account to satisfy the obligations created under the Plan. The Net Asset Account shall contain the following four sub-accounts: (i) Secured, (ii) Administrative Claims, (iii) Plan Expenses, and (iv) Allowed Unsecured Claims. A sub-account need not be a deposit account with a separate account number, but may be comingled with other sub-accounts in the Net Asset Account, provided that the District accounts for each sub-account separately. Each sub-account within the Net Asset Account shall contain an amount of Cash deemed sufficient by the District for the payment of Allowed Claims in accordance with the priorities and amounts set forth in Article 3, all anticipated Plan Expenses, and

Disputed Claims. The District shall be authorized to transfer funds among sub-accounts as necessary to replenish any sub-accounts as and when distributions are made to Creditors. All Plan Expenses may be deducted and paid from sub-account (iii) without further order of the Bankruptcy Court. Subject to the priorities established under the Bankruptcy Code, the District shall periodically transfer all earnings and interest income on the Net Asset Account for deposit to and distribution from sub-account (iv). Unless otherwise provided in the Confirmation Order, the Net Asset Account may be invested by the District in a manner consistent with the objectives of section 345(a) of the Bankruptcy Code and in his reasonable and prudent exercise of discretion. The District shall have no obligation or liability to beneficiaries in connection with such investments in the event of any unforeseeable insolvency of any financial institution where such funds are held.

#### 17. Reserve Provisions for Disputed Claims

The District shall implement the following procedures with respect to the allocation and distribution of Cash in the Net Asset Account and each sub-account and reserve therein, after payment of all senior Claims, to the Holders of Disputed Claims that become Allowed Claims:

- (i) Cash respecting Disputed Claims shall not be distributed, but, if necessary, shall be withheld by the District in the relevant sub-account as a reserve in an amount equal to the amount of the distributions that would otherwise be made to the Holders of such Claims if such Claims had been Allowed Claims, based on the Disputed Claims Amount.
- (ii) All Holders of Allowed Unsecured Claims shall be entitled to receive interim distributions under the Plan. No distributions may be made to the Holders of Allowed Unsecured Claims unless adequate reserves are established for the payment of Disputed Claims, and sufficient funds are also reserved for payment of expected Plan Expenses. Upon the Final Resolution Date, after payment of all senior Claims, all amounts (if any) remaining in sub-accounts (i-iv) of the Net Asset Account, after reservation of an appropriate amount for anticipated Plan Expenses in sub-account (iii), shall be transferred to sub-account (iv) for final distribution to the Holders of Allowed Class 19 Claims.
- (iii) Where only a portion of a Claim is Disputed, at the option of the District, interim or partial distributions may (but are not required to) be made with respect to the portion of such Claim that is not Disputed.
- (iv) For the purposes of effectuating the provisions of the Plan, the Bankruptcy Court may estimate the amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so fixed or liquidated shall be deemed to be Allowed Claims pursuant to section 502(c) of the Bankruptcy Code for purposes of distribution under the Plan. In lieu of estimating the amount of any Disputed Claim, the Bankruptcy Court or the District may determine the Disputed Claims Amount to be reserved for such Disputed Claim in the appropriate sub-account of the Net Asset Account, or such amount may be fixed by agreement in writing by and between the Debtor and the Holder thereof.

- (v) When a Disputed Claim becomes an Allowed Claim, there shall be distributed to the Holder of such Allowed Claim, in accordance with the provisions of the Plan, Cash equal to a Pro Rata Share of the Cash set aside for Disputed Claims within the applicable sub-account of the Net Asset Account, but in no event shall such Holder be paid more than the amount that would otherwise have been paid to such Holder if the Claim (or the Allowed portion of the Claim) had not been a Disputed Claim.
- (vi) Interim distributions may be made from time to time to the Holders of Allowed Claims prior to the resolution by Final Order or otherwise of all Disputed Claims, provided that interim distributions shall be made no less frequently than January 31 of each year following Effective Date until January 31, 2027, and further provided the aggregate amount of Cash to be distributed at such time from the Net Asset Account is practicable in comparison to the anticipated costs of such interim distributions. Notwithstanding the foregoing, subject to Section 5(P) of the Plan, no interim distribution shall be made to any Creditor whose distribution would be less than \$50.
- (vii) No Holder of a Disputed Claim shall have any Claim against the Cash reserved with respect to such Claim until such Disputed Claim shall become an Allowed Claim. In no event shall any Holder of any Disputed Claim be entitled to receive (under the Plan or otherwise) from the Debtor or the Net Asset Account any payment (x) which is greater than the amount reserved for such Claim by the Bankruptcy Court pursuant to the Plan, or (y) except as otherwise permitted under the Plan, of interest or other compensation for delays in distribution. In no event shall the Debtors have any responsibility or liability for any loss to or of any amount reserved under the Plan.
- (viii) To the extent a Disputed Claim ultimately becomes an Allowed Claim in an amount less than the Disputed Claim Amount reserved for such Disputed Claim, then the resulting surplus of Cash shall be retained in the Net Asset Account and shall be distributed among the Holders of Allowed Claims until such time as each Holder of an Allowed Claim has been paid the Allowed amount of its Claim.

#### 16. Allocation of Distributions

Distributions to any Holder of an Allowed Claim shall be allocated first to the principal amount of any such Allowed Claim, as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

#### 17. Rounding

Whenever any payment of a fraction of a cent would otherwise be called for, the actual distribution shall reflect a rounding of such fraction down to the nearest cent.

18. No Interim Cash Payments of \$50 or Less on Account of Allowed Claims

If an interim distribution to be received by the Holder of an Allowed Claim would be less than \$50, notwithstanding any contrary provision in the Plan, at the discretion of the District, no such interim payment will be made to such Holder, and such Cash shall be held for such Holder until the earlier of (i) the next time an interim distribution is made to the Holders of Allowed Claims (unless the distribution would still be less than \$50), or (ii) the date on which final distributions are made to the Holders of Allowed Claims.

19. Unclaimed Property

Any entity which fails to claim any Cash within 90 days from the date upon which a distribution is first made to such entity shall forfeit all rights to any distribution under the Plan. Upon forfeiture, such Cash (including interest thereon) shall be deposited into the Net Asset Account to be distributed to the Holders of Allowed Claims in the manner described in Section 5(M)(viii) for distribution of excess amounts. Entities which fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtors or any Holder of an Allowed Claim to whom distributions are made by the District.

20. Setoffs

Nothing contained in the Plan shall constitute a waiver or release by the Debtors of any right of setoff or recoupment the Debtors may have against any Creditor.

21. No Distributions on Late-Filed Claims

Except as otherwise provided in a Final Order of the Bankruptcy Court, any Claim as to which a Proof of Claim was first filed after the applicable Bar Date shall be a Disallowed Claim, and the District shall not make any distribution to a Holder of such a Claim; provided, however, that to the extent such Claim was listed in the Schedules (other than as contingent, disputed, or unliquidated) and would be an Allowed Claim but for the lack of a timely proof of Claim, the District shall treat such Claim as an Allowed Claim in the amount in which it was so listed.

22. Withholding Taxes

Pursuant to section 346(f) of the Bankruptcy Code, the District shall be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. From and as of the Effective Date, the District shall comply with all reporting obligations imposed on it by any Governmental Unit in accordance with applicable law with respect to such Withholding Taxes. As a condition to making any distribution under the Plan, the Debtors, if on the Effective Date, or the District, if on or after the Effective Date, may require that the Holder of an Allowed Claim provide such Holder's taxpayer identification num-



ber and such other information and certification as may be deemed necessary for the Debtors, if on the Effective Date, and the District, if on or after the Effective Date, to comply with applicable tax reporting and withholding laws.

23. De Minimis Distributions

Notwithstanding anything to the contrary therein, the District shall not be required to make a distribution to any Creditor if the dollar amount of the distribution is so small that the cost of making that distribution exceeds the dollar amount of such distribution.

24. Books and Records

On the Effective Date, to the extent reasonably necessary for the District to fulfill its obligations pursuant to the Plan, the Debtors and the New Operator shall make available all of the Debtors' books and records, in whatever form, manner or media, including, without limitation, the specific provisions and presentation to the District of all passcodes for security systems and computers, keys, keycards, and notice letters to landlords, warehousemen or other relevant parties.

25. Dissolution of the Committee

Upon the occurrence of the Claims Objection Deadline, or the occurrence of such later time at which all Disputed Claims have been Allowed or Disallowed, the Committee shall be dissolved without further action by the Court, and the members of the Committee shall be discharged of their duties and obligations to the Creditors. Any remaining Professional Fees Claim of the Committee shall be submitted to the District, whereupon it take priority over Class 18 and Class 19 Claims for distribution until paid in full. The District may, within thirty (30) days upon receipt of the Professional Fees Claim, file an objection with the Court to the reasonableness of the same. In the event of such objection, the Committee's Professional Fees Claim shall be Allowed and take priority described herein to the extent the District does not object.

26. Ombudsman

On the Effective Date, pursuant to the Confirmation Order, the Court shall be deemed to appoint the Ombudsman to monitor and enforce the District's implementation of and performance under the Plan. The Ombudsman shall be vested with the standing of a party in interest on behalf of the holders of Class 20 and 19 claims pursuant to Section 1128 of the Bankruptcy Code for the purposes contemplated by the Plan and Section 945 of the Bankruptcy Code. The Ombudsman shall be authorized to file, on behalf of unsecured creditors generally, appropriate motions or applications in the Court related to the District's performance under the Plan. The appointment of the Ombudsman shall terminate, without further notice to creditors or order of the Court, on the 30th calendar day following the date all allowed Class 19 claims have been paid according to the Plan. The reorganized District shall provide a written notice to the Ombudsman certifying the date that all allowed Class 19 claims have been finally paid. The Ombudsman shall be paid a

fixed fee in an amount mutually acceptable to the District and the Committee, not to exceed \$20,000 (paid in two installments on or as soon as practicable following the Effective Date and the first anniversary of the Effective Date), for its services from the Effective Date through the date of discharge. The fee shall be payable as a post-confirmation Plan expense of the District and shall be approved under Section 943(b)(3) of the Bankruptcy Code pursuant to the Confirmation Order.

27. Rights of Action.

The Plan provides that the Debtors shall waive and release all of the Debtors' claims, causes of action, rights of recovery, rights of offset, recoupment, rights to refunds, whether arising by operation of bankruptcy or non-bankruptcy law, other than payments owed to the Debtors for medical services rendered by the Debtors in the ordinary course of business (collectively, the "**Rights of Action**"). Such waiver and release does not act as a waiver or release of any Rights of Action the Debtors may hold against any Claim to which the Debtors timely object.

28. Amount and Method of Payment of Administrative Claims.

The distributions to holders of Allowed Administrative Claims will be made prior to or within fourteen (14) days after the Effective Date, by the District unless such Claim or Claims are not yet an Allowed Claim(s) by order of the Bankruptcy Court where required.

29. Distributions.

The District may retain one or more agents to perform or assist it in performing the distributions to be made pursuant to the Plan, which agents may serve without bond. The District may provide reasonable compensation to any such agent(s) without further notice or Bankruptcy Court approval. All distributions to any holder of an Allowed Claim shall be made at the address of such holder as set forth in the books and records of the Debtors or their agents, unless the District has been notified by such holder in a writing that contains an address for such holder different from the address reflected.

a. Undeliverable Distributions.

If any distribution to any claim holder is returned to the District or its agent as undeliverable, no further distributions shall be made to such holder unless and until the District is notified in writing of such holder's then-current address. Unless and until the District is so notified, such distribution shall be deemed to be "**Unclaimed Property.**" Unclaimed Property shall be set aside and held in a segregated account to be maintained by the District pursuant to the terms of the Plan. On the first anniversary of the Effective Date, the District will file with the Bankruptcy Court a list of Unclaimed Property, together with a schedule that identifies the name and last-known address of holders of the Unclaimed Property; the District otherwise will not be required to attempt

to locate any such entity. On the second anniversary of the Effective Date, all remaining Unclaimed Property and accrued interest or dividends earned thereon will be remitted to and supplement the Net Assets. Such claim holder shall not be entitled to any further distribution under the Plan.

b. Distributions of Cash.

Any payment of Cash to be made by the District or its agent pursuant to this Plan shall be drawn on a domestic bank or by wire transfer, at the sole option of the District.

c. Timeliness of Payments.

Any payments or distributions to be made pursuant to the Plan shall be deemed to be timely made if made within fourteen (14) days after the dates specified in the Plan. Whenever any distribution to be made under the Plan shall be due on a day that is a Saturday, Sunday, or legal holiday, such distribution instead shall be made, without interest, on the immediately succeeding day that is not a Saturday, Sunday, or legal holiday, but shall be deemed to have been made on the date due.

30. No Post-Petition Accrual.

Unless otherwise specifically provided in the Plan or allowed by order of the Bankruptcy Court, the Debtors will not be required to pay to any holder of a claim any interest, penalty or late charge accruing with respect to such claim on or after the Petition Date.

## **VI. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

### *A. Assumption of Executory Contracts and Unexpired Leases*

The Debtors intend to assume and assign specific executory contracts or unexpired leases pursuant to the Plan, and the Debtors reserves the right to amend the Plan to provide for such assumption. Assumption means that Debtors have elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Bankruptcy Code, if any. The other parties to such contracts and leases shall be compensated for any such defaults as provided in Class 17. If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Bankruptcy Court has set an earlier time.

Pursuant to the Order of the Bankruptcy Court entered October 23, 2013, any executory contract or unexpired lease assumed by the District shall be conclusively determined to be an obligation of the District and not an obligation of the Corporation, and any executory contract or unexpired

lease assumed by the Corporation shall be conclusively determined to be an obligation of the Corporation and not an obligation of the District.

The Debtors reserve the right to seek assignment of any assumed lease or contract at any time prior to the Effective Date.

*B. Rejection of Executory Contracts and Unexpired Leases*

Except with respect to executory contracts or unexpired leases that: (i) were previously assumed or rejected by order of the Bankruptcy Court, and (ii) are the subject of a pending motion to assume or reject, pursuant to section 365 of the Bankruptcy Code, on the Effective Date, each executory contract and unexpired lease entered into by Debtors prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to Section 365 of the Bankruptcy Code; provided, however, that nothing in this section shall cause the rejection, breach or termination of any contract of insurance benefitting the Debtors and their successors and assigns and/or any option in connection with the purchase, transfer or disposition of real property. Further, the Plan shall be deemed a motion to assume such insurance contracts and any real property-related options. Nothing in the Plan shall be construed as an acknowledgement that a particular contract or agreement is executory or is properly characterized as a lease. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving such rejections pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date. The non-Debtor parties to any rejected personal property leases shall be responsible for taking all steps necessary to retrieve the personal property that is the subject of such executory contracts and leases and the Debtors shall bear no liability for costs associated with such matters.

Pursuant to the Order of the Bankruptcy Court entered October 23, 2013, any executory contract or unexpired lease rejected by either Debtor shall be without prejudice to the rights of any counterparty to file a claim for rejection damages in either the District's or the Corporation's case, and likewise without prejudice of any party-in-interest to object to such claim.

*C. Claims Based on Rejection of Executory Contracts or Unexpired Leases*

All proofs of Claim arising from the rejection of executory contracts or unexpired leases must be filed with the Bankruptcy Court and served on the Debtors no later than thirty (30) days after the date on which notice of entry of the order approving the rejection is mailed. Any Claim for which a proof of Claims is not filed and served within such time will be forever barred and shall not be enforceable against the Debtors or their assets, properties, or interests in property. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be classified into Class 19 and treated accordingly.

## **VII. CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND TO THE EFFECTIVE DATE**

### *A. Conditions to Confirmation of the Plan*

Confirmation of the Plan shall not occur unless each of the following conditions precedent has occurred:

1. The Bankruptcy Court has approved the Disclosure Statement by a Final Order.
2. The Bankruptcy Court has determined that all statutory requirements for Confirmation have been satisfied;

### *B. Conditions to Effective Date*

The occurrence of the Effective Date is conditioned upon the satisfaction of each of the following conditions precedent, any one or more may be waived by the Debtors and the New Operator in writing:

- (i) the Confirmation Order shall have become a Final Order which is unstayed;
- (ii) the Confirmation Date shall have occurred;
- (iii) no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made, or if made, shall remain pending;
- (iv) The District, the New Operator, the United States of America, and the Commonwealth of Kentucky shall have come to an agreement on the cure payment required for the assumption and the assignment by the District to the New Operator of the District's (a) provider agreements with administrative identifiers 18-0149, 18-3998, 18-3994, 18-3446 and 18-3970 with the United States of America under the Medicare program, and (b) provider agreements with the Commonwealth of Kentucky Cabinet for Health and Family Services under the Medicaid program, and the United States of America and the Commonwealth of Kentucky shall have consented to the assumption by the District and the assignment to the New Operator of such agreements;
- (v) The New Operator's conditions to closing pursuant to the Asset Purchase Agreement shall have occurred or been waived; and
- (vi) The Debtors' conditions to closing pursuant to the Asset Purchase Agreement shall have occurred or been waived.

*C. Effect of Failure of Conditions to Confirmation and the Effective Date*

If any one or more of the conditions in Article VII(A) or VII(B) is not met, the Debtors may withdraw this Plan and, if withdrawn, this Plan shall be of no further force or effect.

*D. Effective Date*

Provided the above-referenced conditions to the occurrence of the Effective Date are satisfied, this Plan shall become effective on the Effective Date. The Debtors shall file a notice of Effective Date within 7 days following the Effective Date.

**VIII. EFFECTS OF CONFIRMATION**

*A. Binding Effect of Plan*

The provisions of the confirmed Plan shall bind and inure to the benefit of the Debtors, the New Operator, and any Creditor, whether or not such Creditor has filed a Proof of Claim in the Chapter 9 Case, whether or not the Claim of such Creditor is impaired under the Plan, and whether or not such Creditor has accepted or rejected the Plan. All Claims and Debts shall be fixed and adjusted pursuant to this Plan. This Plan shall also bind any taxing authority, recorder of deeds or similar official for any county, state, or governmental unit or parish in which any instrument related to under this Plan or related to any transaction contemplated under this Plan is to be recorded with respect to any taxes of the kind specified in Bankruptcy Code section 1146(a).

*B. Sale of Property Free and Clear*

Pursuant to Section 1123(a)(5)(D) of the Bankruptcy Code, applicable herein pursuant to Section 901(a) of the Bankruptcy Code, the Debtors shall sell all personal property and real property owned by the Debtors to the New Operator. The Sale would be free and clear of all liens, claims, and interests except as provided by the Asset Purchase Agreement between the Debtors and the New Operator.

*C. Discharge*

Pursuant to Section 944 of the Bankruptcy Code, on the effective date of the Plan, the Debtors shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date. The rights afforded in this Plan and the treatment of claims will be in exchange for and in complete satisfaction, discharge and release of all claims of any nature whatsoever arising on or before the Effective Date, known or unknown, including any interest accrued or expenses incurred thereon from and after the Petition Date, whether against the Debtors or any of their properties, assets, or interests in property. Except as otherwise provided in the Plan, on the Effective Date, all claims against the Debtors will be deemed to be satisfied,

discharged, and released in full.

*D. Injunction*

Except as otherwise expressly provided in this Plan, all entities who have held, hold or may hold pre-Effective Date claims will be permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such pre-Effective Date claim against the Debtor; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree or order against the Debtors or the Debtors' property or interests in property with respect to such pre-Effective Date claims; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against the Debtors or their property or interests in property; and (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to the Debtors with respect to any such pre-Effective Date claim, except as otherwise permitted by section 553 of the Bankruptcy Code.

*E. Term of Existing Injunctions And Stays*

Unless otherwise provided, all injunctions or stays provided for in the Case pursuant to sections 105, 362, or 922 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the Effective Date.

*F. Insurance*

The District may obtain (if available) professional liability tail insurance, directors' and officers' liability insurance or errors and omission insurance (or equivalent insurance). The cost of any insurance obtained under this section shall be a Plan Expense.

**IX. RETENTION OF JURISDICTION**

From and after the Confirmation Date, the Bankruptcy Court shall retain such jurisdiction as is legally permissible, including, but not limited to, for the following purposes:

- i. To hear and determine any and all objections to the allowance of a Claim, actions to equitably subordinate a Claim, approval of any necessary claims reconciliation protocols, or any controversy as to the classification of a Claim in a particular Class under the Plan;
- ii. To administer the Plan and the Net Assets;
- iii. To liquidate any Disputed Claims;
- iv. To hear and determine any and all adversary proceedings, contested mat-

ters or applications pending on the Effective Date or otherwise relating to, arising from, or in connection with the Cases;

v. To hear and determine any and all motions and/or objections to fix and allow any Claims arising therefrom;

vi. To hear and determine any and all applications by Professionals for an award of Professional Fees;

vii. To enable the District to commence and prosecute any litigation which may be brought after the Effective Date;

viii. To interpret and/or enforce the provisions of the Plan and the injunction provided for in the Plan and to determine any and all disputes arising under or regarding interpretation of the Plan or any agreement, document or instrument contemplated by the Plan;

ix. To enter and implement such orders as may be appropriate in the event Confirmation is for any reason stayed, reversed, revoked, modified or vacated;

x. To modify any provision of the Plan to the extent permitted by the Bankruptcy Code and to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan;

xi. To enter such orders as may be necessary or appropriate in furtherance of Confirmation and the successful implementation of the Plan and to determine such other matters as may be provided for in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code; and

xii. To close the Chapter 9 Case when administration of the Plan and the case has been completed.

## **X. MISCELLANEOUS**

### *A. Revocation of Plan of Reorganization*

The Debtors reserve the right to revoke and withdraw the Plan at any time on or before the Confirmation Date. If the Debtors revoke or withdraws the Plan pursuant to this section, or if Confirmation or the Effective Date does not occur, then the Plan shall be deemed null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors or any entity in any further proceedings involving the Debtors.



*B. Severability of Plan Provisions*

In the event that, subsequent to the Confirmation Date, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtor and the New Operator, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision hereof, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

*C. Governing Law*

Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Kentucky.

*D. Exhibits*

All exhibits attached to this Plan or the Disclosure Statement are, by this reference, hereby incorporated into the Plan. The final version of all Exhibits to the Plan and the Disclosure Statement will be substantially in the forms attached hereto or thereto. The Debtor reserves the right to make nonsubstantive changes and corrections to such Exhibits in advance of the Confirmation Hearing. If any Exhibits are changed or corrected, the replacement Exhibits will be filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing

*E. Notices*

All notices required or permitted to be made in accordance with the Plan shall be in writing and shall be delivered personally or by nationally recognized overnight or next-day courier service, first class mail or via facsimile with electronic confirmation of receipt as follows:

**If to the Debtors**

**If to the Committee**

David M. Cantor  
James E. McGhee III  
Seiller Waterman LLC  
Meidinger Tower – 22nd Floor  
462 S. Fourth Street  
Louisville, Kentucky 40202  
Telephone: (502) 584-7400  
Facsimile: (502) 583-2100  
E-mail: cantor@derbycitylaw.com  
E-mail: mcghee@derbycitylaw.com

Henry Kevane  
Pachulski Stang Ziehl & Jones LLP  
150 California Street  
15th Floor  
San Francisco, CA 94111-4500  
Telephone: (415) 263-7000  
Facsimile: (415) 263-7010  
E-mail: hkevane@pszjlaw.com

**If to the Ombudsman**

To a person identified by the Ombudsman subsequent to the Ombudsman's appointment

**If to the New Operator**

John S. Egan  
Edward M. King  
Frost Brown Todd LLC  
400 West Market Street, 32nd Floor  
Louisville, KY 40202-3363  
Telephone: (502) 589-5400  
Facimile: (502) 581-1087  
E-mail: jegan@fbtlaw.com  
E-mail: tking@fbtlaw.com

*F. Reservation of Rights*

Neither the filing of the Plan nor any statement or provision contained in the Plan or in the Disclosure Statement, nor the taking by any party in interest of any action with respect to the Plan, shall: (a) be or be deemed to be an admission against interest, and (b) until the Effective Date, be or be deemed to be a waiver of any rights any party in interest may have (i) against any other party in interest, or (ii) in any of the assets of any other party in interest, and, until the Effective Date, all such rights are specifically reserved. In the event that the Plan is not confirmed or fails to become effective, neither the Plan nor the Disclosure Statement nor any statement contained in the Plan or in the Disclosure Statement may be used or relied upon in any manner in any suit, action, proceeding or controversy within or without this Chapter 9 Case involving the Debtors, except with respect to Confirmation of the Plan.

*G. Computation of Time Periods*

In computing any period of time prescribed or allowed by the Plan, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, a Sunday, or a legal holiday,

or, when the act to be done is the filing of a paper in the Bankruptcy Court, a day on which weather or other conditions have made the clerk's office inaccessible, in which event the period runs until the end of the next day which is not one of the aforementioned days.

#### *H. Defects, Omissions and Amendments*

The Debtors may, with the approval of the Bankruptcy Court and without notice to all Holders of Claims or Interests, insofar as it does not materially and adversely affect Holders of Claims, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary or desirable to expedite the execution of the Plan. The Plan may be altered or amended before or after Confirmation if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of Holders of Claims, so long as the Plan, as modified, complies with sections 1122 and the applicable provisions of 1123 of the Bankruptcy Code and the Debtors have complied with section 1125 of the Bankruptcy Code. The Plan may be altered or amended before or after the Confirmation Date but, prior to substantial consummation, in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects Holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and the applicable provisions of 1123, the Debtors have complied with Bankruptcy Code section 1125 and, after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under the applicable provisions of Bankruptcy Code section 1129.

#### *I. Filing of Additional Documents*

The Debtors shall file with the Bankruptcy Court such agreements, instruments, pleadings, orders, papers or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

#### *J. Successors and Assigns*

The rights, benefits and obligations of any entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such entity.

#### *K. Setoffs and Recoupments*

The Debtors may, but shall not be required to, set off against or recoup from the payments to be made pursuant to this Plan in respect of a Claim, any claim of any nature whatsoever that the Debtors may have against the Holder of such Claim, but neither the failure to do so or the allowance of any Claim hereunder shall constitute a waiver or release of any such claim by the Debtors against such Holder.

*L. Securities Exemption*

Any rights issued under, pursuant to or in effecting this Plan, and the offering and issuance thereof by any party, including without limitation, the Debtors, shall be exempt from section 5 of the Securities Act of 1933, if applicable, and from any state or federal securities laws requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security, and shall otherwise enjoy all exemptions available for distributions of securities under a plan of reorganization in accordance with all applicable law, including without limitation, section 1145 of the Bankruptcy Code.

*M. Plan Interest Rate*

If and to the extent it is determined by the Bankruptcy Court that interest is required to be paid on an Allowed Claim other than as set forth in this Plan, the interest rate to be used shall be determined by the Bankruptcy Court for such Claim.

*N. Implementation*

Upon Confirmation, the Debtors shall be authorized to take all steps and execute all documents necessary to effectuate the provisions contained in the Plan.

*O. Certain Actions*

By reason of entry of the Confirmation Order, prior to, on or after the Effective Date (as appropriate), all matters provided for under the Plan that would otherwise require approval of the board of the Debtors under the Plan, including, without limitation, (i) the distribution of Cash pursuant to the Plan, (ii) the adoption, execution, delivery, and implementation of all deeds, assignments, contracts, leases, instruments, releases, and other agreements or documents related to the Plan, and (iii) the adoption, execution, and implementation of other matters provided for under the Plan involving the company or organizational structure of the Debtor, shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate), pursuant to the applicable law of the Commonwealth of Kentucky, without any requirement of further action by the boards of the Debtors.

*Q. Waiver of Fourteen (14) Day Stay*

Debtor requests as part of the Confirmation Order a waiver from the Bankruptcy Court of the fourteen (14) day stay of Bankruptcy Rule 3020(e) and, to the extent applicable, a waiver of the fourteen (14) day stay of Bankruptcy Rule 6004(h).

*R. Substantial Consummation*

On the Effective Date, the requirements under Bankruptcy Code sections 944(b) shall be deemed satisfied.

/s/ \_\_\_\_\_  
Neal M. Gold, CEO  
ADAIR COUNTY HOSPITAL DISTRICT

/s/ \_\_\_\_\_  
Neal M. Gold, CEO  
ADAIR COUNTY PUBLIC HOSPITAL DISTRICT CORPORATION

/s/ \_\_\_\_\_  
DAVID M. CANTOR  
JAMES E. MCGHEE III  
SEILLER WATERMAN LLC  
Meidinger Tower – 22nd Floor  
462 S. Fourth Street  
Louisville, Kentucky 40202  
Telephone: (502) 584-7400  
Facsimile: (502) 583-2100  
E-mail: [cantor@derbycitylaw.com](mailto:cantor@derbycitylaw.com)  
E-mail: [mcghee@derbycitylaw.com](mailto:mcghee@derbycitylaw.com)  
*Counsel for Debtor*