

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re

OTERO COUNTY HOSPITAL
ASSOCIATION, INC. (d/b/a Gerald
Champion Regional Medical Center, d/b/a
Mountain View Catering),

Debtor.

Case No. 11-11-13686-JA

**DISCLOSURE STATEMENT FOR THE
THIRD AMENDED CHAPTER 11 PLAN OF REORGANIZATION DATED
JUNE 20, 2012 FOR OTERO COUNTY HOSPITAL ASSOCIATION, INC.**

Dated: June 20, 2012

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I.

INTRODUCTION

THIS DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) INCLUDES AND DESCRIBES THE THIRD AMENDED CHAPTER 11 PLAN OF REORGANIZATION PROPOSED BY OTERO COUNTY HOSPITAL ASSOCIATION, INC. D/B/A GERALD CHAMPION REGIONAL MEDICAL CENTER, D/B/A MOUNTAIN VIEW CATERING (THE “DEBTOR”), DATED JUNE 20, 2012 (THE “PLAN”), A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A. OTHER THAN CLASSES 1 AND 2, WHICH ARE UNIMPAIRED UNDER THE PLAN AND THEREFORE DEEMED TO HAVE ACCEPTED THE PLAN, AND CLASS 9, WHICH IS DEEMED TO HAVE REJECTED THE PLAN, ALL CLASSES ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ACCORDINGLY, EXCEPT FOR THE FOREGOING UNIMPAIRED OR REJECTING CLASSES OF CLAIMS, THE DEBTOR IS SOLICITING ACCEPTANCES OF THE PLAN FROM HOLDERS OF ALL CLAIMS.

The Debtor operates a ninety-nine (99) acute-care bed hospital that provides excellent care to the citizens of Otero County, New Mexico. The Debtor commenced this Chapter 11 Case to resolve a series of lawsuits and other claims arising from certain procedures that were performed at the Debtor’s hospital by two doctors that are no longer with the Debtor. The Debtor believes that resolving such lawsuits and claims outside of the bankruptcy process would have taken too much time, been too costly and jeopardized the Debtor’s ability to continue to provide medical care to Otero County.

Shortly after the Debtor commenced this Chapter 11 Case, it began negotiating with the holders of claims arising from the procedures mentioned above represented by a group of attorneys identified in the Plan. Such holders constitute the overwhelming majority of the holders of claims arising from such procedures and are referred to herein as the “United Tort Claimants.” The Debtor also negotiated with Quorum Health Resources, LLC (“QHR”) and Nautilus Insurance Company (“Nautilus”) in order to reach a global resolution of the claims arising from the procedures. QHR is the Debtor’s management company and was also named in most of the lawsuits relating to the Trust Personal Injury Claims. Nautilus has written several insurance policies covering many of the Trust Personal Injury Claims.

After several informal settlement meetings, including an April 2012 meeting that lasted for close to twenty hours, and two formal mediation sessions presided over by the Honorable Alan C. Torgerson, a federal magistrate judge, the Debtor, the United Tort Claimants, QHR and Nautilus have reached a comprehensive settlement (the “Global Settlement”) that should resolve this Chapter 11 Case on an almost completely consensual basis. The Global Settlement is evidenced by a term sheet (the “Term Sheet”) and certain related documentation attached as Exhibit C to the Plan. The Plan, if confirmed, will result in the approval and implementation of the Global Settlement.

In addition to the Global Settlement and as further evidence of the consensual nature of the Plan, the Debtor has reached a separate settlement (the “Bryant Settlement”) with Dr. Frank Bryant (“Dr. Bryant”), one of the doctors involved in the procedures described above, which will

result in the Debtor and Dr. Bryant exchanging mutual releases. As of the date of this Disclosure Statement, the Bryant Settlement has not yet been approved by the Bankruptcy Court; however, the Debtor expects to obtain approval of the Bryant Settlement prior to the Effective Date.

The Global Settlement has several important features.¹ First, the Plan resolves the Debtor's exposure to the United Tort Claimants in a consensual manner, which was the Debtor's primary goal in commencing this Chapter 11 Case. The Claims of the United Tort Claimants along with four other Claims are classified under the Plan as the "Trust Personal Injury Claims." The Debtor will satisfy the Trust Personal Injury Claims by establishing a trust for the benefit of the holders of such Claims. The trust will receive payments totaling \$7,500,000 from the Debtor in thirty-six (36) equal monthly installments. In addition, if the Bryant Settlement is not approved by the Bankruptcy Court prior to the Effective Date, the Debtor will transfer any and all of its claims against Dr. Bryant to the trust. The trust will liquidate such claims and any net proceeds will be available for holders of the Trust Personal Injury Claims.

Second, under the Global Settlement, QHR will pay \$5,050,000 to the holders of Trust Personal Injury Claims in full satisfaction of its personal exposure on account of the Trust Personal Injury Claims. The holders of Trust Personal Injury Claims may continue to pursue claims against QHR, but any recoveries will be limited to recovery from QHR's insurance carriers.

Third, Nautilus will pay \$8,450,000 to the holders of Trust Personal Injury Claims in full satisfaction of all of its obligations under its applicable insurance policies. This represents an amount equal to Nautilus's policy limits plus approximately \$500,000.

Fourth, the Debtor and QHR will exchange mutual releases and QHR will continue to serve as the Debtor's management company.

Fifth, the holders of Trust Personal Injury Claims will release the Debtor, Dr. Christian Schlicht and Nautilus from any liability for the Trust Personal Injury Claims.

Sixth, Community Health Systems, Inc. and several of its affiliates will be dismissed with prejudice from the lawsuits filed by the holders of Trust Personal Injury Claims against such entities.

The Global Settlement resolves the most important issues in this Chapter 11 Case on a consensual basis; results in cash payments of \$21 million to the holders of Trust Personal Injury Claims; preserves the rights of the holders of Trust Personal Injury Claims to seek further recoveries from QHR's insurance carriers (but not from QHR); is the result of many hours of arm's-length bargaining, including with the aid of a federal magistrate judge; and represents the single best solution of concluding this Chapter 11 Case in a fair and equitable manner. Indeed, any alternative would result in continued litigation and uncertainty. The Debtor strongly urges all parties in interest to vote in favor of and to support the Plan.

In addition to the Global Settlement, the Plan contains many other important features. Among other things, the Plan will provide a 100% distribution to general unsecured creditors, plus interest at a rate of 3% per annum, over a twenty-four (24) month period; will result in the assumption of almost all executory contracts, including its collective bargaining agreement; and

¹ Any descriptions of the Global Settlement are qualified in their entirety by the terms of the Plan and the Term Sheet.

will ensure that the Debtor emerges from the Chapter 11 Case as a financially strong and viable entity, able to perform its important mission of providing medical care to the residents of Otero County.

Finally, the Plan contemplates that the Debtor will obtain Exit Financing to the extent necessary to satisfy the claims of its primary secured creditor, Bank of America, and provide the Debtor with sufficient capital to meet its other obligations under the Plan and continue its normal operations. Detailed projections showing the feasibility of the Plan are attached hereto as Exhibit C. The Debtor has estimated that it will raise \$50 million in Exit Financing and that such amount will be sufficient to fund the Plan as well as the Debtor's operations. If the Debtor is able to obtain more Exit Financing than projected, it may be able to accelerate some of the installment payments due under the Plan, including payments to the Trust Personal Injury Claimants and the holders of general unsecured claims, however, any such acceleration will be at the discretion of the Debtor.

In short, the Plan will resolve the Trust Personal Injury Claims on a consensual basis; resolve all issues between the Debtor and QHR as well as the Debtor and Nautilus on a consensual basis; satisfy the claims of Bank of America in full; provide for the payment of trade and other unsecured creditors in full; and allow the Debtor to emerge from chapter 11 in a strong position and with the ability to satisfy the medical needs of Otero County.

THE DEBTOR, QHR, NAUTILUS, THE CREDITORS' COMMITTEE, AND THE UNITED TORT CLAIMANTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF ALL CLAIMS AS COMPARED TO ANY POSSIBLE ALTERNATIVES. THE DEBTOR, QHR, NAUTILUS, [THE CREDITORS' COMMITTEE,] AND THE UNITED TORT CLAIMANTS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO VOTE IN FAVOR OF THE PLAN.

VOTING INSTRUCTIONS ARE CONTAINED IN THE DISCLOSURE STATEMENT ORDER, A TRUE AND CORRECT COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT B. IN ADDITION, THE SOLICITATION PACKAGE ACCOMPANYING EACH OF THE BALLOTS CONTAINS APPLICABLE VOTING INSTRUCTIONS. **TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND ACTUALLY RECEIVED BY THE SOLICITATION AGENT ON OR BEFORE JULY 26, 2012 (THE "VOTING DEADLINE").**

All capitalized terms used in this Disclosure Statement and not defined herein shall have the meanings ascribed thereto in the Plan (see Exhibit A to the Plan, Glossary of Defined Terms). For ease of reference, all defined terms used in the Disclosure Statement that are not defined in the Plan are listed on the "List of Other Defined Terms" at the end of this Disclosure Statement with reference to the page number where the term is defined. Unless otherwise stated, all references herein to "Schedules" and "Exhibits" are references to schedules and exhibits to this Disclosure Statement, respectively.

II.

SUMMARY OF DISTRIBUTIONS UNDER THE PLAN

The following is a summary of the distributions under the Plan. It is qualified in its entirety by reference to the full text of the Plan, which is attached to this Disclosure Statement as Exhibit A. In addition, for a more detailed description of the terms and provisions of the Plan, *see* “The Chapter 11 Plan” section of this Disclosure Statement.

The Claim amounts set forth below are based on information contained in the Debtor’s Schedules and filed proofs of claim, and reflect what the Debtor believes to be reasonable estimates of the likely resolution of currently outstanding disputed Claims. The amounts utilized may differ materially from the outstanding filed Claim amounts. As discussed below, the Debtor or, in some instances, the Personal Injury Trustee will file objections to disputed Claims. *See* “Claims and Litigation.”

The following chart summarizes the estimated Plan Distributions to each class on the Plan Distribution Date (unless otherwise provided):²

Administrative and Tax Claims³	
Classes of Claims	Treatment of Classes of Claims
Administrative Claims Estimated Allowed Claims: \$2,100,000	On the applicable Plan Distribution Date, each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder’s Allowed Claim in one Cash payment; or (ii) such other treatment as may be agreed upon in writing by the Debtor and such holder; <u>provided</u> , however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder’s Allowed Administrative Claim; and <u>provided further</u> that an Administrative Claim representing a liability incurred and payable in the ordinary course of business of the Debtor may be paid at the Debtor’s election in the ordinary course of business.

² There can be no assurance that the estimated Claim amounts set forth herein are correct, and the actual amount of Allowed Claims may differ from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein.

³ Administrative Claims and Tax Claims are treated in accordance with section 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of this Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

	Estimated Recovery: 100% of Allowed Claim
Tax Claims Estimated Allowed Claims: \$0	<p>At the election of the Debtor, in full satisfaction of such Allowed Tax Claim, each holder of an Allowed Tax Claim will receive (i) payments in Cash, in regular installments over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (ii) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (iii) such other treatment as may be agreed upon in writing by such holder; <u>provided</u>, however, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Tax Claim.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>

Classified Claims	
Classes of Claims	Treatment of Classes of Claims
Class 1 – Priority Claims ⁴ Estimated Allowed Claims: \$0 Unimpaired	<p>Each holder of an Allowed Priority Claim against the Debtor shall receive, on the later to occur of the Effective Date (or as soon as reasonably practicable thereafter) and the date upon which such Claim becomes an Allowed Claim, either (i) Cash in the amount of such holder's Allowed Priority Claim; or (ii) such other treatment as may be agreed upon by the Debtor and such holder; <u>provided</u>, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Priority Claim.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>

⁴ All Employee Obligations that would otherwise be considered Priority Claims are being assumed pursuant to the Plan and are not classified as Priority Claims under the Plan. The Debtor does not believe there are any other Priority Claims.

<p>Class 2 – Letter of Credit Claims Estimated Allowed Claims: Contingent and Unliquidated</p> <p>Unimpaired</p>	<p>On the Effective Date, all of the Letter of Credit Claims either (i) will be satisfied in full from the proceeds of the Exit Financing as required by the Letter of Credit Documents and other applicable orders of the Bankruptcy Court, and subject to closing procedures that are agreed between the Debtor and the Letter of Credit Lender, or (ii) will be treated in a manner mutually agreeable to the Letter of Credit Lender and the Debtor. In the event that the Letter of Credit Claims are treated as set forth in clause (i) of Section 4.1(b) of the Plan, upon (and only upon) the payment of all amounts owed to the Letter of Credit Lender and the complete satisfaction of the Letter of Credit Claims as provided in Section 4.1(b)(i) of the Plan, the liens and other encumbrances securing such Letter of Credit Claims will be released pursuant to closing procedures that are agreed between the Debtor and the Letter of Credit Lender. In the event that the Letter of Credit Claims are treated as set forth in clause (ii) of Section 4.1(b) of the Plan pursuant to an alternative treatment, the agreement between the Letter of Credit Lender and the Debtor shall be specified in writing and filed with the Court prior to the commencement of the Confirmation Hearing. In the interest of clarity, the Debtor agrees that the Letter of Credit Lender has no obligation to agree to any alternative treatment pursuant to clause (ii) of Section 4.1(b) of the Plan and the decision to enter into any such alternative treatment shall be within the Letter of Credit Lender's absolute discretion.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 3 – Secured Claims Estimated Allowed Claim: \$500,000</p> <p>Impaired</p>	<p>Each holder of an Allowed Secured Claim against the Debtor shall receive, on each applicable Plan Distribution Date, in full satisfaction of its Allowed Secured Claim, at the Debtor's option, either: (i) a single Cash payment equal to the sum of (A) the Allowed Secured Claim; and (B) accrued postpetition interest through the Effective Date, at an</p>

	<p>interest rate agreed to by the parties, or, if no agreement can be reached, as determined by the Bankruptcy Court after notice and a hearing; or (ii) deferred Cash payments when and as required by the agreement and documents giving rise to such Allowed Secured Claim; or (iii) the return of the collateral securing such Allowed Secured Claim; or (iv) if such Allowed Secured Claim is subject to a valid right of recoupment or setoff, such Claim shall be setoff to the extent of the amount subject to setoff in accordance with sections 506(a) and 553 of the Bankruptcy Code. Notwithstanding any of the foregoing, the Debtor and any holder of an Allowed Secured Claim may agree to any alternate treatment for such Secured Claim; <u>provided</u>, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Secured Claim.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 4 – Secured Claims – Robins & Morton Claim</p> <p>Estimated Allowed Claims: \$455,351.15</p> <p>Impaired</p>	<p>The holder of the Robins & Morton Claim against the Debtor shall receive, in full satisfaction of such Claim, Cash in the amount of \$455,351.15 <u>plus</u> interest calculated from the Effective Date at a rate of 5% per annum, payable in twelve equal monthly installments commencing on the Effective Date, and shall retain all liens securing the Robins & Morton Claim until the holder of the Robins & Morton Claim has received all payments to which it is entitled pursuant to the Plan.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 5 – Trust Personal Injury Claims</p> <p>Impaired</p>	<p>Each holder of a Trust Personal Injury Claim shall receive, in full satisfaction of its Trust Personal Injury Claim, each of the following: (i) its allocation of the Personal Injury Trust Interests as determined by the Personal Injury Trustee pursuant to the mechanism established by the United Tort Claimants in accordance</p>

	<p>with Section 7.2(f) of the Plan; (ii) the benefits of the Global Settlement; and (iii) a release by the Debtor of any medical liens held by the Debtor against such holder for unpaid fees arising from medical services provided by the Debtor.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 6 – Unsecured Claims Estimated Allowed Claims: \$1,425,000</p> <p>Impaired</p>	<p>On the applicable Plan Distribution Dates, each holder of an Allowed Unsecured Claim against the Debtor will receive payment of its Allowed Unsecured Claim in full and in Cash, plus interest at a rate of 3% per annum, in eight separate and equal quarterly installments; <u>provided</u>, that prior to the Debtor making any such payments, the amount of such holder's Allowed Unsecured Claim shall be reduced by applying the full amount of any previously unapplied postpetition deposit paid by the Debtor to such holder as adequate assurance of future performance to such holder's Allowed Unsecured Claim. Interest in respect of an Allowed Unsecured Claim shall begin to accrue on the Effective Date and shall continue to accrue on the outstanding amount of such Allowed Unsecured Claim until such Allowed Unsecured Claim is paid in full. The first payment in respect of an Allowed Unsecured Claim shall be made on later of (i) the Effective Date; and (ii) the date such Unsecured Claim becomes an Allowed Claim. Thereafter, such holder shall receive seven additional payments on the last Business Day of each fiscal quarter.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 7 – QHR Claims Estimated Allowed Claims: Unliquidated</p> <p>Impaired</p>	<p>On the Effective Date, pursuant to the terms of the Global Settlement, all holders of QHR Claims shall release all QHR Claims that they hold against the Debtor and shall receive, in full satisfaction of such QHR Claims, the releases from the Debtor set forth in Section 14.16(c) of the Plan and the benefits of the Global Settlement.</p>

	Estimated Recovery: 100% of Allowed Claim pursuant to the Global Settlement
Class 8 – Non-QHR Reimbursement, Contribution and Indemnity Claims Estimated Allowed Claims: Unliquidated Impaired	<p>Except as set forth in Section 7.2(h) of the Plan, each holder of an Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim shall be paid by the Personal Injury Trust Trustee from the Personal Injury Trust Property an amount equal to such holder's Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim, without interest, not later than ten (10) Business Days following the date that such Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim becomes an Allowed Claim, <u>provided, however</u>, that, absent the agreement of the Personal Injury Trustee, the holder of an Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim shall not be entitled to receive any proceeds of the Personal Injury Trust Note on account of its Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
Class 9 –Subordinated Claims Estimated Allowed Claims: Unliquidated Impaired	<p>Each holder of an Allowed Subordinated Claim shall neither receive nor retain under the Plan any property of any kind or nature whatsoever, <u>including</u>, without limitation, Cash, on account of such holder's Allowed Subordinated Claim.</p> <p>Estimated Recovery: 0% of Allowed Claim</p>

III.

NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is to enable each holder of a Claim that is impaired under the Plan to make an informed decision in exercising its right to vote on the Plan. More information on voting on the Plan is contained in this Disclosure Statement in the article entitled "Confirmation and Consummation Procedures."

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN AND TO THE EXHIBITS AND SCHEDULES ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE (THE “BANKRUPTCY CODE”) AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE “BANKRUPTCY RULES”) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS SUBJECT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND OTHER SIMILAR RULES. ACCORDINGLY, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTOR.

On or about June 21, 2012, after notice and a hearing, the Bankruptcy Court entered the order approving the Disclosure Statement (the “Disclosure Statement Order”) pursuant to section 1125 of the Bankruptcy Code, finding that this Disclosure Statement contains information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the solicited holders of Claims against the Debtor to make an informed judgment with respect to the acceptance or rejection of the Plan.

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

Each holder of a Claim entitled to vote to accept or reject the Plan should read both this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtor and certain of the professionals it has retained, no person has been authorized to use or promulgate any information concerning the Debtor, its businesses, or the Plan other than the information contained in this Disclosure Statement, and if other information is given or made, such information may not be relied upon as having been authorized by the Debtor. **YOU SHOULD NOT RELY ON ANY INFORMATION RELATING TO THE DEBTOR, ITS BUSINESSES OR THE PLAN OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT AND THE SCHEDULES AND EXHIBITS ANNEXED HERETO.**

After carefully reviewing this Disclosure Statement, including the attached Schedules and Exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot, and return the completed ballot to the address set forth on the ballot in the enclosed postage prepaid return envelope so that it will be actually received by Kurtzman Carson Consultants LLC (“KCC,” the “Solicitation Agent,” or the “Claims Agent,” as applicable), no later than the Voting Deadline. Parties entitled to vote to accept or reject the Plan are specified herein and in the Disclosure Statement Order. All votes to accept or reject the Plan must be cast by using the appropriate ballot. Votes which are cast in any other manner will not be counted. **All ballots must be actually received by the Solicitation Agent no later than the Voting Deadline: July 26, 2012. For detailed voting instructions and the name, address and phone number of the person you may contact if you have questions regarding the voting procedures, see the Disclosure Statement Order attached hereto as Exhibit B.**

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

You will be bound by the Plan if it is accepted by the requisite holders of Claims and confirmed by the Bankruptcy Court, even if you do not vote to accept the Plan or if you are the holder of an unimpaired Claim or a rejecting Claim that is not entitled to vote on the Plan.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the “Confirmation Hearing”) on August 3, 2012, at 9:00 a.m., Prevailing Mountain Time, before the Honorable Robert H. Jacobvitz, United States Bankruptcy Judge. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed on or before July 26, 2012, at 4:00 p.m., Prevailing Mountain Time, in the manner described in the Disclosure Statement Order attached hereto as Exhibit B.

THE DEBTOR, QHR, NAUTILUS, THE CREDITORS’ COMMITTEE, AND THE UNITED TORT CLAIMANTS SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN.

IV.

EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code pursuant to which a debtor may reorganize its business for the benefit of its creditors, equity interest holders, and other parties in interest. The Debtor commenced its chapter 11 case (the “Chapter 11 Case”) with the filing of a petition (the “Petition”) for voluntary protection under chapter 11 of the Bankruptcy Code on August 16, 2011 (the “Petition Date”). The Chapter 11 Case is administered as Case No. 11-11-13686-JA. *See* “The Chapter 11 Case—Commencement of the Chapter 11 Case.”

The commencement of a chapter 11 case creates an estate comprising all of a debtor’s legal and equitable interests as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor in possession” unless the bankruptcy court orders the appointment of a trustee. In its Chapter 11 Case, the Debtor remains in possession of its property and continues to operate its businesses as a debtor in possession.

The formulation and ultimate consummation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying claims against and interests in a debtor’s estate. Unless a trustee is appointed, only a debtor may file a plan during the first 120 days of a chapter 11 case (the “Exclusive Filing Period”), and the debtor will have 180 days to solicit acceptance of such plan (the “Exclusive Solicitation Period”). However, section 1121(d) of the Bankruptcy Code permits the bankruptcy court to extend or reduce the Exclusive Filing Period and Exclusive Solicitation Period upon a showing of “cause.” As set forth below in “The Chapter 11 Case – Exclusive Periods,” the Debtor’s Exclusive Filing Period and Exclusive Solicitation Period were extended to September 14, 2012 and November 14, 2012, respectively, and the Debtor filed the Plan within the applicable Exclusive Filing Period. As the Debtor filed the Plan within the applicable Exclusive Filing Period, no other creditor or party in interest may file a plan until the expiration of the Exclusive Solicitation Period. *See* “The Chapter 11 Case – Exclusive Periods.”

B. Plan of Reorganization

Although referred to simply as a plan of reorganization, a plan may provide for anything from a comprehensive restructuring of a debtor’s business and its related obligations to a simple liquidation of a debtor’s assets. Upon confirmation of a plan, the plan becomes binding on the debtor and all of its creditors and the prior obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. For a description of key components of the Plan, refer to the article of this Disclosure Statement entitled “The Chapter 11 Plan.”

After a plan of reorganization has been filed, the holders of impaired claims against a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a

disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims against the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Debtor's solicitation of votes on the Plan.

C. Confirmation of a Plan of Reorganization

If all classes of claims accept a plan of reorganization, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. These requirements are discussed in this Disclosure Statement in the article entitled "Confirmation and Consummation Procedures." The Debtor believes that the Plan satisfies all of the applicable requirements of section 1129(a) of the Bankruptcy Code.

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan for the bankruptcy court to determine that the class has accepted the plan. Further information concerning minimum thresholds required to constitute acceptance of the Plan for the purposes of confirmation is contained in this Disclosure Statement in the article entitled "Confirmation and Consummation Procedures."

Classes of claims that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted or rejected the plan and thus are not entitled to vote. Thus, acceptances of a plan will generally be solicited only from those persons who hold claims in an impaired class. Under the Plan, all classes of claims are entitled to vote on the Plan except Class 1, Class 2, and Class 9.

V.

GENERAL INFORMATION

The discussion below briefly describes the Debtor and its business as it exists as of the date of this Disclosure Statement.

A. The Debtor's Background and Operation of the Hospital

The Debtor is a New Mexico non-profit corporation established in 1947 for the purposes of developing and operating a hospital in Otero County, New Mexico. Now, sixty-five years later, the Debtor continues to fulfill this mission by operating the Gerald Champion Regional Medical Center in Alamogordo, New Mexico (the "Hospital"). The Debtor is managed by a volunteer board of prominent community leaders who are each committed to the Hospital's long-term success.

The Hospital is Otero County's largest and most important healthcare facility, providing a population of approximately 70,000 with access to a full complement of acute and general care medical services. When the Hospital opened in 1999—replacing the Debtor's previous hospital that had been in service since 1949—its design earned it recognition as a model for other community medical centers. In order to maintain its place at the forefront of community

healthcare delivery, the Debtor has just completed a 48,000 square foot expansion of the Hospital, including thirty-five state-of-the-art private patient rooms, a twelve-bed rehabilitation unit, and a wound care center (the “New Patient Tower”). This expansion permitted the Debtor to convert all of its ninety-nine licensed acute-care beds to single patient rooms—an arrangement preferred by patients and reflective of current industry best practices.

The services the Debtor provides at the Hospital are too numerous to list. Its approximately seventy medical professionals specialize in an array of fields, including cardiology, nephrology, endocrinology, oncology and pediatrics, among others. These medical professionals are aided in their efforts to diagnose and treat their patients by the Hospital’s broad range of advanced technological capabilities, including medical imaging (i.e., MRI, CAT scan, and nuclear medicine resources), cardiopulmonary services, and an intensive care unit. The Hospital is also designated as a Level III trauma center.

A significant volume of patients make use of the Hospital’s facilities each year. On an annual basis, the Hospital has approximately 4,500 admissions and 32,000 emergency room visits. It is also the site of approximately 650 infant deliveries, 2,100 in-patient surgical procedures and over 7,000 out-patient procedures per year. In accordance with its mission to provide healthcare to the entire community, the Debtor welcomes patients covered by limited reimbursement insurers such as Medicaid and the County Indigent Program. Many uninsured and underinsured patients are also covered by the Debtor’s own charity care policy. Although payment for services rendered is critical to its operation, this policy reflects the Debtor’s belief that all individuals should have access to comprehensive, first-class medical services and healthcare education. Over the three years preceding the Debtor’s bankruptcy filing, the average unreimbursed value of charity care provided was approximately \$2.2 million per year.

The Debtor’s operation of the Hospital is critical to the greater Otero County community not only as a healthcare provider but also as an economic engine. The Debtor relies on a workforce of approximately 700 full- and part-time employees, who earn, on an annual basis, nearly \$50 million in wages, salaries and benefits. The Hospital’s sizeable staff makes the Debtor Otero County’s largest non-governmental employer.

B. The Debtor’s Commitment to Healthcare Beyond the Hospital’s Doors

The Debtor’s efforts to meet the healthcare needs of its community go far beyond the direct provision of care at the Hospital. Indeed, the Debtor provides direct and indirect support to an array of healthcare related programs throughout Otero County.

The Debtor provides direct benefits to the community outside of the Hospital through free or below-cost education and outreach programs targeted to address identified community health needs. For example, the Debtor supports sign language education programs, Narcotics Anonymous, and support groups for people suffering from diabetes, hepatitis C, strokes, and cardiac conditions. The Debtor also conducts health fairs, seminars, and screening events for cholesterol, diabetes, blood pressure and blood type to raise awareness of these issues within the community.

The Debtor provides indirect benefits to the community through healthcare provider training and recruitment efforts as well as supporting other entities that provide health services to the community. In terms of training, the Hospital serves as an educational training site for registered nurses, x-ray technologists, medical technologists, physical therapists, emergency medical technicians, and nursing assistants in affiliation with New Mexico State University-Alamogordo, the University of New Mexico, and other universities.

In terms of recruiting, the Debtor commits substantial resources to encouraging skilled medical providers to practice in Otero County. In the two years preceding its bankruptcy filing, the Debtor was responsible for bringing approximately twenty physicians to the community, including specialists in endocrinology, obstetrics and gynecology, family medicine, pediatrics, orthopedics, internal medicine, psychiatry, general surgery, neurology, pathology, cardiology, and nephrology.

In terms of indirect support to the community via third party healthcare providers, the Debtor partners with Otero County and various localities within Otero County to support and fund the provision of medical services to patient populations with limited access to the Hospital. The Debtor contributes to rural health clinics in Clondcroft, Tularosa, and Chaparral, and supports medical services at the Otero County Detention Center. Without the Debtor's support, these populations would have significantly less access to healthcare.

The Debtor provides further support, both directly and indirectly, to over thirty organizations that share in the Debtor's mission to improve the overall health and wellness of the community. These programs include the United Way, Relay for Life, the Boys and Girls Club, and the American Cancer Society. The Debtor's contributions to such programs exceeded \$1 million in the year ending June 2011.

Through its numerous facilities, programs, and projects, the Debtor is directly or indirectly involved with nearly all of Otero County's healthcare infrastructure. The Debtor believes that this substantial infrastructure, and in particular the Hospital, played a primary role in the decision of every practicing physician in Alamogordo to commence his or her practice there. In short, the Debtor is the lynchpin of healthcare services in Otero County.

C. The Hospital's Management Company

Since 1986, the Debtor has contracted with QHR to provide management services. QHR specializes in the management of community hospitals and currently has approximately 150 hospitals under management. QHR provides the Debtor with, among other things, a chief executive officer and chief financial officer (each of whom maintain full time offices at the Hospital), group purchasing benefits that reduce the Debtor's costs in operating the Hospital, and access to an array of training opportunities and administrative resources that would not otherwise be available to a facility of the Hospital's size at a reasonable cost.

The Debtor has grown considerably under the management of QHR, reflecting the Debtor and QHR's commitment to providing the maximum range of services supportable by a community of Otero County's size. In short, under QHR's management, the Debtor has brought more comprehensive healthcare services closer to home.

The Debtor will assume the QHR Management Contract under the Plan, and QHR will remain the Debtor's management company after the Debtor emerges from chapter 11, ensuring continuity of management.

D. Events Giving Rise to the Bankruptcy Filing

Beginning in June 2010, the Debtor, QHR, two physicians, and certain other entities, were named in a number of lawsuits stemming from a series of procedures (the "Procedures") performed at the Hospital between 2006 and 2009 (the "Lawsuits"). The Lawsuits generally allege that the physicians are liable to the plaintiffs on the basis of their malpractice; that the Debtor is liable for its role as an employer and/or credentialer of the physicians; and that QHR is liable on the basis of its role as the Hospital's management company. In total, as of the commencement of the Debtor's Chapter 11 Case, approximately fifty individuals who underwent such Procedures had filed Lawsuits. In addition, approximately thirty individuals had not commenced Lawsuits, but have filed proofs of claim in the Chapter 11 Case. The claims asserted against the Debtor in the Lawsuits and proofs of claim have previously been collectively referred to herein as the "Trust Personal Injury Claims." No determination of liability has been made in respect of the Trust Personal Injury Claims. Only the two physicians—one of whom operated independently and one of whom was directly employed by the Debtor—were involved in some manner with the challenged Procedures. Currently, neither of these physicians has any affiliation with the Debtor.

Although the physicians involved in the Procedures became disassociated from the Debtor prior to the Petition Date, the Debtor's exposure in connection with the Trust Personal Injury Claims remained and posed a significant threat to the Debtor's ability to effectively carry out its mission. Specifically, the Trust Personal Injury Claims negatively impacted the Debtor's ability to raise the funds necessary to continue to meet the healthcare needs of its community. Accordingly, the Debtor commenced its Chapter 11 Case with the objective of resolving the Trust Personal Injury Claims in a fair, reasonable, and efficient manner while ensuring its long-term stability for the future benefit of the community it serves.

The Debtor's efforts in this regard resulted in the proposed Plan described in this Disclosure Statement. Through negotiations with the United Tort Claimants during the Chapter 11 Case, many of whom were plaintiffs in the Lawsuits filed prior to the Petition Date, the Debtor has secured their support for the Plan. If confirmed, the Plan will allow the Debtor to finally resolve such Claims and the Debtor believes it will enable the Debtor to emerge from chapter 11 as a strong and stable organization.

E. The Debtor's Capital Structure

Prior to the Petition Date, the Debtor incurred debt in order to, among other things, (i) finance and reimburse the costs of constructing and implementing improvements to the Hospital; and (ii) retire old debt obligations relating primarily to the construction of the Hospital in 1999. The Debtor incurred such debt through a tax efficient structure involving the use of municipal bonds, as more fully described below.

The City of Alamogordo ("Alamogordo") issued (i) \$30,465,000 in aggregate principal amount of its Hospital Improvement and Refunding Revenue Bonds (Gerald Champion Regional

Medical Center Project) Series 2007A (the “2007A Notes”); and (ii) \$8,020,000 in aggregate principal amount of its Taxable Hospital Improvement and Refunding Revenue Bonds (Gerald Champion Regional Medical Center Project) Series 2007B (the “2007B Notes,” and, collectively with the 2007A Notes, the “Notes”) pursuant to New Mexico law.

The Notes are governed by the terms of a trust indenture (the “Trust Indenture”) entered into by Alamogordo and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture Trustee”) on or about November 15, 2007.

To establish the income stream necessary to support payments under the Notes, the Debtor transferred the Hospital to Alamogordo, subject to the deed of trust in favor of the Letter of Credit Lender described below, in exchange for the proceeds of the Notes, and Alamogordo and the Debtor entered into a Lease Agreement (the “Lease Agreement”) whereby Alamogordo leased the Hospital and certain related assets back to the Debtor in exchange for lease payments (the “Lease Payments”) equal to the principal, interest, and other obligations on the Notes. Pursuant to the terms of the Lease Agreement, the Debtor is obligated to keep in place at all times a letter of credit for the benefit of noteholders in an amount not less than the sum of all remaining obligations under the Notes.

To secure the payments under the Lease Agreement, the Debtor and Bank of America, N.A. (the “Letter of Credit Lender”) entered into a Letter of Credit and Reimbursement Agreement (the “Reimbursement Agreement”), whereby the Letter of Credit Lender issued an irrevocable letter of credit in the amount of \$38,927,842 in favor of the Indenture Trustee (the “Letter of Credit”). The Letter of Credit can be drawn by the Indenture Trustee under certain circumstances. Under the Reimbursement Agreement, the Debtor must reimburse the Letter of Credit Lender for any draws on the Letter of Credit. The Debtor’s obligations under the Reimbursement Agreement are secured by that certain Mortgage and Assignment of Rents and Leases, Security Agreement and Financing Statement (the “Letter of Credit Mortgage”), recorded on November 15, 2007 (prior to the Debtor’s transfer of the Hospital and related assets to Alamogordo), granting a mortgage on the Hospital and associated real property and a first priority security interest in certain personal property used in connection with the Hospital, as evidenced by a Security Agreement by and between the Debtor and the Letter of Credit Lender (the “Letter of Credit Security Agreement”).

The Letter of Credit is drawn periodically to make all necessary debt service and principal payments on the Notes. As the Letter of Credit is drawn, the payments pursuant to the Lease Agreement are immediately directed to the Letter of Credit Lender to cover the draws.

The Debtor is current on all of its obligations under the Lease Agreement, which has been assumed by the Debtor. As of the date hereof, approximately \$35.6 million remains outstanding on the Notes, after application of all sinking fund balances.

The Letter of Credit is set to expire on November 15, 2012. If the Letter of Credit is not extended or replaced, the Notes will become due and payable on such date and may be paid from the Letter of Credit. The Debtor must then reimburse the Letter of Credit Lender for the payment of any such draws, effectively accelerating the Notes. The Debtor believes that it will be able to obtain at least \$50 million of financing to refinance the Notes and satisfy the Letter of

Credit Claims on the Effective Date; however, if the process for obtaining Exit Financing is delayed, the Debtor will request that the Letter of Credit Lender agree to an alternative treatment to permit the Effective Date to occur pending the closing of the Exit Financing. Such an agreement could require the Letter of Credit Lender to extend the Letter of Credit for an agreed upon period of time or agree to certain modifications of the Letter of Credit Documents and various cash collateral orders entered by the Bankruptcy Court in a manner that would permit the Debtor to emerge without causing a default under of the Letter of Credit Documents. The Letter of Credit Lender has no obligation to agree to any alternative treatment and the Debtor will be unable to emerge from chapter 11 under this Plan if it cannot either pay the Letter of Credit Lender in full or obtain an agreement with respect to an alternative treatment from the Letter of Credit Lender. Notwithstanding the foregoing, the Debtor is confident that it will be able to raise the required Exit Financing to satisfy the Letter of Credit Claims in full or otherwise reach an agreement with the Letter of Credit Lender to emerge from chapter 11 under this Plan.

VI.

THE CHAPTER 11 CASE

A. Commencement of the Chapter 11 Case

On August 16, 2011, Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court, the Honorable Robert H. Jacobvitz presiding.

B. Continuation of Business after the Petition Date

Since the Petition Date, Debtor has continued to operate its business and manage the Hospital as Debtor in Possession. In addition, the Debtor has filed various motions and other pleadings to preserve value for creditors and efficiently administer its Chapter 11 Case. Below is a description of some of the most material filings made by the Debtor.

1. Stipulation with the Letter of Credit Lender

As described above, prior to transferring the Hospital to Alamogordo and in connection with the issuance of the Notes, the Debtor granted the Letter of Credit Lender a mortgage on the real property upon which the Hospital is situated, any improvements on such real property, and all proceeds and rents relating to or arising from such real property. The Debtor also executed the Letter of Credit Security Agreement in favor of the Letter of Credit Lender which grants a first priority security interest in certain personal property used in connection with the Hospital. In addition, the Indenture gives the Letter of Credit Lender the right to cause the Indenture Trustee to redeem the Notes through a draw on the Letter of Credit upon the occurrence of an "Event of Default" under the Reimbursement Agreement.

Prior to the Petition Date, the Debtor determined that it would likely have insufficient cash to meet the "cash on hand" covenant set forth in the Reimbursement Agreement and that a failure to meet such covenant could result in an "Event of Default" under the Reimbursement Agreement. The Debtor also determined that the commencement of the Chapter 11 Case could constitute an additional "Event of Default." As a result of such potential "Events of Default," the Letter of Credit Lender could compel the Indenture Trustee to draw on the Letter of Credit,

which would have the effect of accelerating the Notes and severely damaging the Debtor's ability to reorganize. Accordingly, the Debtor negotiated the terms of a stipulation (the "Adequate Protection Stipulation") with the Letter of Credit Lender that kept the Letter of Credit in place during the Chapter 11 Case while also granting the Debtor appropriate covenant relief.

On August 17, 2011, the Bankruptcy Court approved the Adequate Protection Stipulation [Docket No. 45]. Pursuant to the Adequate Protection Stipulation, the Bankruptcy Court authorized the Debtor to continue to use its Cash on a going forward basis and granted the Letter of Credit Lender certain adequate protection, including certain replacement liens and other rights as more particularly set forth in the Adequate Protection Stipulation. In return, the Letter of Credit Lender agreed not to cause the Indenture Trustee to draw on the Letter of Credit, keeping the Notes in place. On September 12, 2011, the Bankruptcy Court entered an order approving the Adequate Protection Stipulation on a final basis [Docket No. 120]. The Adequate Protection Stipulation expired on February 16, 2012.

As the expiration date of the Adequate Protection Stipulation approached, the Debtor began negotiating an extension of the term with the Letter of Credit Lender. After extensive arm's-length negotiations, the Debtor and the Letter of Credit Lender entered into the *Agreement to Extend Stipulation by and between the Debtor and Bank of America, N.A. Providing Adequate Protection and Authorizing the Use of Cash Collateral* (the "Extension Agreement"). Pursuant to the Extension Agreement, the Letter of Credit Lender agreed to extend the term of the Adequate Protection Stipulation to November 15, 2012. In addition, the Letter of Credit Lender agreed to further modify certain covenants in the Reimbursement Agreement. In exchange, the Debtor agreed to provide the Letter of Credit Lender with additional adequate protection, including liens on certain additional real estate located on the Debtor's main Hospital campus. At the hearing on the motion to approve the Extension Agreement, the Debtor, the Letter of Credit Lender, and the Creditors' Committee presented the Bankruptcy Court with an agreed order. On February 17, 2012, the Bankruptcy Court entered an order approving the Extension Agreement with certain modifications requested by the U.S. Trustee [Docket No. 372]. The Adequate Protection Stipulation, as amended and modified by the Extension Agreement, continues to govern the Debtor's use of cash collateral and provide adequate protection to the Letter of Credit Lender.

2. Business Operations

a. Cash Management

As is typical with most corporate enterprises, the Debtor has a variety of financial accounts that it wished to maintain during the pendency of the Chapter 11 Case including three operating accounts, certificates of deposit at local and national financial institutions, a money market account, a sinking fund as required by the Reimbursement Agreement, and certain investment accounts (the "Cash Management System"). The Debtor uses the Cash Management System for the collection of receipts and the disbursement of funds in connection with its operations.

On August 17, 2011, the Bankruptcy Court authorized the Debtor to continue to use its existing Cash Management System, bank accounts, and business forms, but, with the consent of

the Debtor, required the Debtor to shift its investments from certain mutual funds to U.S. Treasury backed securities [Docket No. 39]. Additionally, the Bankruptcy Court granted the Debtor a waiver of certain investment and deposit requirements imposed by section 345 of the Bankruptcy Code.

b. Maintenance of Utility Services

Prior to the Petition Date, in connection with the operation of its businesses and the Hospital, the Debtor obtained a wide range of utility services (collectively, the “Utility Services”) from certain utility companies (the “Utility Companies”), including electricity, gas, and water for which no alternative service could be expected. It was essential that the Utility Services continue uninterrupted after the Petition Date particularly in light of the critical services provided by the Debtor at the Hospital. As such, upon the Debtor’s motion, the Bankruptcy Court issued an interim order on August 17, 2011, and then a final order on September 12, 2011, prohibiting the Utility Companies from discontinuing, altering, or refusing service to the Debtor, (ii) deeming the Utility Companies adequately assured of future payment, and (iii) establishing procedures for determining requests for additional adequate assurances of payment [Docket Nos. 37, 116] (the “Utility Order”).

After entry of the Utility Order, the Debtor realized that it had inadvertently omitted one Public Service Company of New Mexico (“PNM”) account from the Utility Order. Upon discovery of such omission, the Debtor and PNM began arm’s-length negotiations regarding the omitted account. After significant discussions, the Debtor and PNM entered into that *First Amendment to Stipulation as to Assurance of Payment and Resolution of Claims for Unpaid, Pre-petition Charges*, dated January 17, 2012 (the “PNM Amendment”). Pursuant to the PNM Amendment, the Debtor agreed to provide an additional postpetition security deposit, pay PNM’s outstanding postpetition balance, increase PNM’s proof of claim and grant PNM an Allowed Unsecured Claim and an Allowed Administrative Claim in exchange for PNM’s continued provision of electricity to all of the Debtor’s accounts.

On January 20, 2012, the Debtor filed a motion to approve the PNM Amendment [Docket No. 332]. On February 13, 2012, the Creditors’ Committee filed a limited objection to the motion objecting to the Debtor granting PNM an Allowed Administrative Claim in the amount of \$78,251.47 pursuant to section 503(b)(9) of the Bankruptcy Code. After negotiations between the PNM and the Creditors’ Committee, the parties resolved their differences in an agreed order. The agreed order provides that the Creditors’ Committee will retain the right to object to PNM’s Allowed Administrative Claim through the deadline for filing objections to this Disclosure Statement. On February 29, 2012, the Bankruptcy Court entered the agreed order [Docket No. 388]. The Debtor does not know whether the Creditor’s Committee intends to object to the Allowed Administrative Claim.

c. Payment of Prepetition Trust Fund Taxes

In the ordinary course of its operations, the Debtor collected sales tax or similar trust fund-type taxes (however denominated) (collectively, the “Trust Fund Taxes”) from certain of its patients and remits such taxes to the appropriate taxing authority (collectively, the “Taxing Authorities”). On August 17, 2011, the Bankruptcy Court authorized the Debtor to pay

prepetition Trust Fund Taxes owed to the Taxing Authorities, in an amount not to exceed \$30,000, in the ordinary course of business as such payments become due and payable and to the extent adequate funds are available to make such payments [Docket No. 42].

d. Maintain Insurance Programs

In connection with the daily operation of its business, including the operation of the Hospital, the Debtor maintains certain insurance policies (collectively, the “Insurance Policies”) in respect of, among other things, hospital professional liability, general liability, umbrella/excess liability, employee life, health and disability, automobile, builder’s risk, property and flood, boiler and machinery, business interruption, director’s and officer’s, flood, and long-term liability. The hospital professional liability, general liability, and umbrella/excess liability policies were financed through premium finance agreements. The continuation of the Insurance Policies was crucial given that they provide a comprehensive range of coverage in full force and effect for the Debtor, its business, and its properties.

On August 17, 2011, the Bankruptcy Court authorized the Debtor to (i) continue and maintain the Insurance Policies on an uninterrupted basis, (ii) continue its insurance premium financing programs, including authority to enter into new premium finance arrangements postpetition, and (iii) pay any prepetition obligations associated therewith [Docket No. 43]. The Bankruptcy Court’s order also prevented insurance companies from giving notice of termination or otherwise modifying or canceling any Insurance Policies without obtaining further relief from the Bankruptcy Court.

On February 10, 2012, the Debtor filed a motion to (i) enter into new insurance policies (the “New Insurance Policies”), (ii) obtain financing for the New Insurance Policies’ annual premium by entering into a financing agreement with Western Commerce Bank, and (iii) grant Western Commerce Bank a first priority security interest in the New Insurance Policies’ unearned premiums and dividends [Docket No. 356]. By entering into the New Insurance Policies, the Debtor saves over half a million dollars annually by lowering its annual premium while increasing its coverage limits by \$20 million. Such savings were possible because the Debtor agreed to reduce the retroactive date of the New Insurance Policies from April 1992 to August 16, 2011 in reliance on the Bar Date and the Debtor’s extensive noticing program. The Bar Date and extensive noticing program allow the Debtor reasonable certainty that all prepetition claims against the Debtor other than the claims asserted in the proofs of claim filed on or before the Bar Date are forever barred. On March 2, 2012, the Bankruptcy Court entered an order approving the motion [Docket No. 393]. Further, pursuant to the Plan, any late filed claims against the Debtor, including personal injury claims, will be entitled to no recoveries from the Debtor.

e. Overpayment Turnover to Patients and Third-Party Payors

Prior to the Petition Date and in the ordinary course of its operations, the Debtor received overpayments made by patients, overpayments on behalf of patients, and payments collected by the Debtor on behalf of third parties to whom such payments are owed. Prepetition, the Debtor refunded undisputed overpayments and/or deposits paid by patients and by their insurers (collectively, the “Refunds”) as the Debtor did not believe it was appropriate to keep

overpayments made by or on behalf of patients. Further, the Debtor's failure to refund such overpayments would be deleterious to the Debtor's reputation in the community and its relationships with patients and insurers. In addition, prior to the Petition Date and in the ordinary course of business, the Debtor invoiced and received payments on behalf of third-party service providers, such as physicians, that provide services at the Hospital. In such situations, the Debtor would invoice on behalf of the third-party provider and once the funds cleared, forward the fee earned by the third-party provider to such third-party provider.

On August 17, 2011, the Court entered an order authorizing the Debtor, in its sole discretion, to (a) remit Refunds to patients and insurers and (b) turn over funds invoiced by the Hospital, paid by third-party payors, and held for third-party providers in the ordinary course of business, with the understanding that third-party providers will continue to perform in accordance with their current business practices [Docket No. 41].

f. Overpayment Turnover to Medicare and Medicaid

Because of certain demographic characteristics of the patient population served by the Hospital, the Debtor relies heavily upon reimbursements for patient services from various governmental agencies made pursuant to the Medicare and Medicaid programs. Prior to the Petition Date and in the ordinary course of its operations, the Debtor had to file paperwork with the governmental intermediaries established to manage Medicare and Medicaid reimbursements on behalf of the Centers of Medicare and Medicaid Services to obtain reimbursements for services provided to patients. Upon review thereof, if reimbursement is deemed warranted, the applicable government intermediary advances the requisite funds to the Hospital. From time to time, after reimbursing the Hospital for a particular service, the applicable governmental intermediary performs an audit to determine whether the amount requested and advanced to the Hospital accurately reflects the reimbursable value of the Hospital's services. To the extent that the governmental intermediary ultimately determines that the Hospital was overpaid, the governmental intermediary may reduce future reimbursements paid to the Hospital by the amount of the past overpayments or demand that the Hospital pay back the amounts of overpayment. On the Petition Date the Debtor filed a motion to permit the Centers of Medicare and Medicaid Services to continue to setoff amounts in the ordinary course of business. The Debtor believed that such relief was critical to maintaining its good standing within these strategically important programs.

On August 17, 2011, the Bankruptcy Court entered an order authorizing Medicare, Medicaid and its governmental intermediaries to receive or, if agreed by the Debtor, offset the agreed upon monthly amount as and when due by the Debtor, postpetition payments on account of prepetition claims as well as permit deductions for overpayments in the ordinary course of the Debtor's business [Docket No. 44].

3. Employee and Medical Provider Related Matters

Of critical importance to the Debtor's efforts to continue its operations uninterrupted was its ability to maintain the support and cooperation of its employees. Accordingly, on August 16, 2011, the Debtor filed two motions relating to employees, one pertaining to medical providers, including doctors, certified nurse midwives, and certified nurse practitioners and a second

pertaining to non-medical provider employees, including managers, directors, and hourly employees [Docket Nos. 9 and 12]. The purpose of those motions was to ensure that employees continued to receive wages and benefits in the ordinary course of business. The Bankruptcy Court granted the relief requested by the Debtor and entered several orders authorizing the Debtor to pay certain prepetition obligations owing to the employees, including, but not limited to: (i) amounts owed to employees for wages, salaries, and contractual obligations, (ii) maintenance and continuance of employee benefit plans and programs in effect prior to filing the Chapter 11 Case, (iii) reimbursement of employee business and educational expenses incurred in the ordinary course; and (iv) other miscellaneous employee expenses and benefits [Docket Nos. 38, 40, 117, and 118]. Furthermore, the Bankruptcy Court authorized and directed each of the banks in which the Debtor maintained a bank account to honor all prepetition and postpetition checks related to such prepetition obligations to employees.

4. Procedural Motions

a. Limited Notice

Because the mailing matrix in the Chapter 11 Case contained approximately 90,000 parties, the Bankruptcy Court established certain guidelines regarding limiting the notice of and hearings on motions and other matters. The Bankruptcy Court entered an order approving such procedures on September 21, 2011 [Docket No. 148].

b. 503(b)(9) Procedures

In the ordinary course of its business, the Debtor relies upon various third-party vendors for the provision of goods used in the Debtor's day-to-day operation of the Hospital. The Debtor's relationships with such third-party vendors (the "Vendors") permit the Debtor to function on a day-to-day basis and facilitate the Debtor's provision of essential healthcare services to the community. As to the Vendors delivering goods that were received by the Debtor within the twenty days preceding the Petition Date, such vendors are entitled to payment for their claims on account of the delivery of such goods as administrative expenses pursuant to section 503(b)(9) of the Bankruptcy Code. Because section 503(b)(9) is a relatively recent addition to the Bankruptcy Code, the Debtor established certain procedures for 503(b)(9) vendors to follow to clarify and streamline the process. On September 12, 2011, the Bankruptcy Court entered an order approving the 503(b)(9) procedures [Docket No. 119]. To date, approximately \$370,000 of section 503(b)(9) claims have been Allowed, and such claims will be paid either as Administrative Claims or cure payments as provided in the Plan.

C. Representation of the Debtor

In 2010, the Debtor retained White & Case LLP ("White & Case") to provide legal advice with respect to a variety of issues, including restructuring and bankruptcy advice, and preparation of the requisite petitions, pleadings, exhibits, lists and schedules in connection with the commencement of the Chapter 11 Case. Craig H. Averch, Roberto J. Kampfner, and Ronald K. Gorsich have been acting as lead counsel for the Debtor in this Chapter 11 Case.

In accordance with Local Rule 2090-1(e) of the Local Rules for the United States Bankruptcy Court, District of New Mexico (the "Local Rules"), White & Case associated with a

resident member of the New Mexico bar, John D. Wheeler & Associates (“JDW”) to serve as New Mexico co-counsel in connection with the prosecution of the Chapter 11 Case. In addition to complying with the Local Rules, JDW brought significant institutional knowledge about the Debtor to the Chapter 11 Case. John D. Wheeler has been acting as counsel for the Debtor from JDW in the Chapter 11 Case.

Prior to the Petition Date, the Debtor employed certain professionals, in the ordinary course of business, to render services to its Estate (collectively, the “Ordinary Course Professionals”), including legal services and certain accounting, tax, and consulting services, which were necessary to the day-to-day continuation of the Debtor’s operations. On September 13, 2011, the Bankruptcy Court granted the Debtor authority to employ Ordinary Course Professionals [Docket No. 127]. Since entry of the order approving the employment of Ordinary Course Professionals, ten Ordinary Course Professionals have filed affidavits for employment pursuant to the order. No party in interest has objected to an affidavit.

In addition to White & Case, JDW, and the Ordinary Course Professionals, the Debtor obtained approval from the Bankruptcy Court to retain Kurtzman Carson Consultants LLC as noticing, claims, and balloting agent for the Debtor.

D. Formation and Representation of the Creditors’ Committee

On September 1, 2011, the United States Trustee for Region 20 (the “U.S. Trustee”) appointed the Official Committee of Unsecured Creditors (the “Creditors’ Committee”). The Creditors’ Committee retained as counsel the law firm of Gardere Wynn Sewell LLP (“Gardere”), 1601 Elm Street, Suite 3000, Dallas, Texas 75201-4761. Deirdre B. Ruckman and Holland N. O’Neil have been acting as lead counsel for the Creditors’ Committee.

The Creditors’ Committee is currently comprised of the following members:

EMCARE, Inc. Attn: Ashley Brachen, Jr., Esq. 6200 South Syracuse Way, Suite 200 Greenwood Village, CO 80111	Energy Control, Inc. Attn: Kurt Fetters 2600 American Road, SE, Suite 360 Rio Rancho, NM 87124
Universal Hospital Services, Inc. Attn: Steven P. Marietti 7700 France Avenue S., Suite 275 Edina, MN 55435	Milestone Healthcare, Inc. Attn: Roger T. Jenkins 2435 North Central Expressway, Suite 1420 Richardson, TX 75080
Cardinal Health Attn: Phelton Woods 7000 Cardinal Place Dublin, OH 43017	

E. Appointment of the Patient Care Ombudsman

On September 7, 2011, pursuant to section 333 of the Bankruptcy Code, the U.S. Trustee filed a *Motion for Determination that the Debtor is a Health Care Business and Directing the Appointment of a Patient Care Ombudsman* [Docket No. 103]. On September 12, 2011, the Bankruptcy Court granted the U.S. Trustee's motion [Docket No. 124] and, accordingly, the U.S. Trustee appointed E. Marissa Lane of E. Marissa Lane, PLLC, 1612 Brighton Avenue, Oklahoma City, OK 73120, as the patient care ombudsman (the "Patient Care Ombudsman").

On October 11, 2011, the Patient Care Ombudsman filed a motion to employ counsel, Linda S. Bloom, P.A., P.O. Box 218, Albuquerque, New Mexico 87103 [Docket No. 176], which the Bankruptcy Court approved on November 8, 2011 [Docket No. 210].

Thereafter, on November 14, 2011, the Patient Care Ombudsman filed her Initial 60 Day Report [Docket No. 217], and the Second 60 Day Report [Docket No. 366] on February 15, 2012. In the Debtor's view, the Patient Care Ombudsman's February 15 report was misleading in several material respects. Among other things, the Debtor believes that the report misrepresented the Debtor's reasons for changing accreditation bodies and improperly alleged issues with its quality processes. On March 30, 2012, the Debtor filed its response to the Patient Care Ombudsman's Second 60 Day Report [Docket No. 435] detailing the Debtor's objections to the February 15 report. Specifically, the Debtor provided relevant facts concerning its voluntary change in accreditation bodies from the Joint Commission on Accreditation of Health Care Organization (the "Joint Commission") to DNV Healthcare, Inc. ("DNV") and the rigorousness of its quality processes, including the fact that the issues identified in the third-party report relied upon by the Patient Care Ombudsman in her criticisms had been fully resolved to the satisfaction of the accreditation body issuing such report.

F. The Debtor's Accreditation

In 2012, the Debtor voluntarily changed accreditation bodies from Joint Commission to DNV. As of September 2008, the Centers for Medicare and Medicaid Services authorized DNV, a company founded in 1864, to accredit hospitals on its behalf. The Hospital is one of approximately 250 hospitals in the United States to seek accreditation from DNV, including many industry-leading healthcare facilities that have transitioned from the Joint Commission. Like many of these hospitals, the Debtor elected DNV over the Joint Commission because it believes that the process-based quality philosophy underlying the DNV model will improve the healthcare that it delivers to its patients.

The Debtor voluntarily subjected itself to the scrutiny of a thorough initial survey by DNV in March of this year to immediately avail itself of the tools for quality improvement that a DNV survey brings. On April 18, 2012, DNV informed the Debtor that pursuant to the authority granted to DNV by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, the Debtor is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482) and awarded full accreditation for a three (3) year term effective as of March 9, 2012. The accreditation is applicable to all facilities operating under the Debtor. In the Debtor's view, its most recent accreditation demonstrates that it is in full compliance with all appropriate quality requirements.

G. Matters Relating to Unexpired Leases and Executory Contracts

Section 365 of the Bankruptcy Code grants the Debtor the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is assumed, the rights of the debtor party to such agreement continue as property of the debtor's estate. A subsequent breach of an assumed lease or executory contract creates an administrative claim in favor of the non-debtor counterparty, entitling it to an administrative claim for the prepetition obligations as well as postpetition obligations arising as a result of the breach. If an executory contract or unexpired lease is rejected, the non-debtor counterparty to the agreement may file a claim for damages incurred by reason of the rejection, which is treated as a prepetition claim. In the case of rejection of leases of real property, such damage claims are subject to certain claim amount limitations imposed by the Bankruptcy Code.

Generally, debtors have until the confirmation date of the chapter 11 plan to assume executory contracts and unexpired leases to which they are party. An exception to the foregoing is set forth in section 365(d)(4) of the Bankruptcy Code, which provides that if a debtor does not assume or reject an unexpired lease of nonresidential real property under which a debtor is the lessee (i) within 120 days after the petition date (the "365(d)(4) Deadline"), (ii) within a 90-day additional period as the Bankruptcy Court, for cause, fixes, or (iii) within such additional time as the Bankruptcy Court, for cause, fixes with the consent of the landlord of the leased premises, then such lease is deemed rejected. On December 14, 2011, the Debtor filed a timely motion requesting that the Bankruptcy Court extend the 365(d)(4) Deadline to March 13, 2012 [Docket No. 269], which the Bankruptcy Court granted [Docket No. 319].

1. The Lease with Alamogordo

As explained above, as part of the Notes transaction, the Debtor and Alamogordo entered into the Lease Agreement whereby Alamogordo leased the Hospital and certain related Assets to the Debtor in exchange for the Lease Payments. Because of the necessity of the Hospital to the Debtor's business, the Debtor agreed to assume the Lease Agreement. On September 12, 2011, the Bankruptcy Court entered an order authorizing the assumption of the Lease Agreement and establishing the cure amount at \$0.00 [Docket No. 122].

2. The Non-residential Real Property Leases

As described above, the Debtor extended the 365(d)(4) Deadline to March 13, 2012. On March 12, 2012, the Debtor filed the following motions to assume non-residential real property leases:

- Motion to assume non-residential real property lease for property located at 101 5th Street, Ruidoso, New Mexico, which houses Debtor's Ruidoso Sleep Center and Medical Complex [Docket No. 413].
- Motion to assume non-residential real property lease for Suite B of the property located at 2474 Indian Wells Road, Alamogordo, New Mexico for the Debtor's New Mexico Center for Clinical and Behavioral Sleep Medicine [Docket No. 415].

- Motion to assume non-residential real property lease for Suite E in the Thunderbird Building located at 1212 Ninth Street, Alamogordo, New Mexico on behalf of the American Cancer Society [Docket No. 417].
- Motion to assume non-residential real property lease for Suites 3 and 4 of the property located at 1909 Cuba Avenue, Alamogordo, New Mexico, which houses a family medicine practice [Docket No. 419].

On April 17, 2012, the Court entered an order approving the assumption of the non-residential real property lease for property located at 101 5th Street, Ruidoso, New Mexico [Docket No. 459]. On April 19, 2012, the Court entered an order approving the assumption of the non-residential real property lease for property located at 2474 Indian Wells Road, Alamogordo, New Mexico and 1909 Cuba Avenue, Alamogordo, New Mexico [Docket Nos. 463 and 464]. On April 20, 2012, the Court entered an order approving the assumption of the non-residential real property lease for Suite E in the Thunderbird Building located at 1212 Ninth Street, Alamogordo, New Mexico [Docket No. 468].

H. Exclusive Periods

Pursuant to sections 1121(b) and (c)(3) of the Bankruptcy Code, the Debtor has (i) the Exclusive Filing Period within which to file the Plan and (ii) the Exclusive Solicitation Period to solicit acceptances of the timely filed Plan before other parties in interest are permitted to file plans. The initial Exclusive Filing Period and the initial Exclusive Solicitation Period expired on December 14, 2011 and February 14, 2012, respectively.

On December 14, 2011, the Bankruptcy Court entered an order extending the Exclusive Filing Period and the Exclusive Solicitation Period through September 14, 2012 and November 14, 2012, respectively.

I. The Automatic Stay

As discussed above, the automatic stay under section 362 of the Bankruptcy Code provides that, as of the Petition Date, most pending litigation is stayed, and absent further order of the Bankruptcy Court, most actions to recover on prepetition Claims against the Debtor are prohibited.

During the Chapter 11 Case, two claimants filed motions seeking relief from the automatic stay. The first motion for relief from stay, which was filed by Sandra Grisham and the Estate of Wayne Jordan (the “Jordan Claimants”), has been resolved pending Bankruptcy Court approval. Under the settlement, the Claims asserted by the Jordan Claimants against the Debtor in their relief from stay motion (the “Jordan Claims”) will be treated as “Other Personal Injury Claims” under the Plan; provided, that, if the Plan does not go effective by September 1, 2012, the Jordan Claimants may elect, without further order of the Bankruptcy Court, to obtain relief from stay to pursue the Jordan Claims, but will only be entitled to obtain recoveries on account of such Jordan Claims from the Debtor’s available insurance.

The second motion for relief from stay was filed by Dr. Bryant. On February 1, 2012, QHR filed a complaint for indemnity against Dr. Schlicht and Dr. Bryant, the two physicians

accused of performing the Procedures, in New Mexico State Court in Otero County thereby commencing the action *Quorum Health Resources v. Frank T. Bryant, M.D. and Christian Schlicht, D.O.* (“*QHR v. Bryant*”). On March 6, 2012, Dr. Bryant served the Debtor with, among other things, a summons and *Answer, Counterclaim and Third Party Complaint* against the Debtor in *QHR v. Bryant* in contravention of the automatic stay. On March 9, 2012, the Debtor filed a motion for contempt against Dr. Bryant and his counsel for filing the third party complaint against the Debtor in *QHR v. Bryant* [Docket No. 405]. In response to the Debtor’s motion for contempt, Dr. Bryant filed a notice of dismissal of the third party complaint in the *QHR v. Bryant* action and filed an *Opposed Motion for Relief from the Automatic Stay* [Docket No. 425] in the Chapter 11 Case. On April 12, 2012, the Debtor filed an opposition to Dr. Bryant’s motion for relief from the automatic stay [Docket No. 447]. On May 8, 2012, the Court held a hearing on Dr. Bryant’s relief from stay motion and the Debtor’s motion for contempt. At the May 8, 2012 hearing, the Bankruptcy Court scheduled a final hearing on the matters for July 19, 2012. The Debtor and Dr. Bryant have entered into a settlement, referred to in the Plan as the Bryant Settlement, which will resolve all of the motions described in this paragraph through the exchange of mutual releases between the Debtor and Dr. Bryant.

In addition, the Debtor agreed to relief from the automatic stay for Steven Hurst (“*Hurst*”) provided that any judgment entered in favor of Hurst may be enforced only against the Debtor’s available insurance and not against any of the Debtor’s property or Assets.

J. The Global Settlement

The most important event to date in the Chapter 11 Case involves the Global Settlement. Shortly after the commencement of the Chapter 11 Case, the Debtor began negotiating with the United Tort Claimants, QHR and Nautilus to resolve the Trust Personal Injury Claims and reach a consensual resolution to the Chapter 11 Case. Meetings among some or all of the parties were held between October of 2011 and April of 2012, culminating in an April 10, 2012 settlement meeting that lasted over twenty (20) hours, but failed to produce a comprehensive settlement. Ultimately, the parties concluded that they could not reach a comprehensive agreement without formal mediation.

Faced with the failure of the informal settlement process, the Debtor and certain other parties requested that the Bankruptcy Court order formal mediation. The Bankruptcy Court granted such request and ordered the parties to attend a mediation session on May 16, 2012, before the Honorable Alan C. Torgerson, a federal magistrate judge for the District of New Mexico.

On May 7, 2012, the Debtor filed a plan of reorganization containing a more limited agreement with the United Tort Claimants, but participated in the mediation process in the hopes that a more global resolution could be reached.

On May 16, 2012, the parties attended an all-day mediation session, as ordered by the Bankruptcy Court. The Honorable Alan C. Torgerson presided over close to nine (9) hours of mediation, and, at the conclusion of the session, the Debtor, the United Tort Claimants, QHR and Nautilus executed the Term Sheet, reaching a tentative global settlement. The settlement, however, was contingent on the satisfaction of a condition that ultimately could not be satisfied at that time. On May 23, 2012, fearing that no comprehensive deal could be reached, the Debtor

filed a disclosure statement in connection with its May 7 plan of reorganization and moved forward with the confirmation process.

The Honorable Alan C. Torgerson reconvened the mediation for May 30, 2012, and, after another full day of mediation, the parties to the Term Sheet agreed to remove the previously unsatisfied condition and reached the Global Settlement that forms the basis of this Plan. The Honorable Alan C. Torgerson was critical to the settlement process and his skills were essential in finally bringing the Debtor, the United Tort Claimants, QHR and Nautilus to an agreement that had eluded them for many months. As indicated above, the Global Settlement is an arm's-length agreement, reached in good faith after many hours of work and represents the most efficient and cost-effective manner to resolve the Chapter 11 Case.

K. The Bryant Settlement

On June 15, 2012, the Debtor and Dr. Bryant entered into the Bryant Settlement, which resolves all issues between the parties. The Bryant Settlement has not yet been approved by the Bankruptcy Court, but the Debtor expects the Bryant Settlement to become effective prior to the Effective Date. Should that occur, the Transferred Causes of Action, which consist of the Debtor's Causes of Action against Dr. Bryant, will not be transferred to the Personal Injury and, instead, will be released. Dr. Bryant's Claims against the Debtor, including, without limitation, the Bryant Reimbursement, Contribution and Indemnity Claims also will be released and will receive no recoveries under the Plan, including, without limitation, from the Personal Injury Trust.

In the Debtor's view, the Bryant Settlement is in the best interests of the Estate and should be approved. While the Bryant Settlement will eliminate the Transferred Causes of Action as an asset of the Personal Injury Trust, it also relieves the Personal Injury Trust of any liability for satisfying Dr. Bryant's Claims against the Debtor, which, absent the Bryant Settlement, constitutes an obligation of the Personal Injury Trust. The Bryant Settlement is supported by the United Tort Claimants.

L. QHR Investigation

As a result of the Global Settlement, the Creditors' Committee shall not complete its current investigation of potential Estate Causes of Action against QHR (the "QHR Investigation"). Further, on the Effective Date, the Creditors' Committee shall return to the Debtor or destroy all confidential documents provided to the Creditors' Committee by the Debtor in connection with the QHR Investigation and such confidential documents shall not be subject to discovery by any of the parties to the Global Settlement. As soon as practicable after the Effective Date, the Debtor shall produce to the United Tort Claimants all non-privileged documents provided to the Creditors' Committee in connection with the QHR Investigation.

M. Jefferies & Company

Obtaining Exit Financing will be important in ensuring the viability of the Debtor. After a comprehensive search, the Debtor has retained Jefferies & Company to underwrite its Exit Financing process. The Debtor has filed with the Bankruptcy Court a motion to approve its selection of Jefferies & Company as its Exit Financing underwriter.

VII.

CLAIMS AND LITIGATION

No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtor will not pursue any and all available Causes of Action against them. The Debtor and its Estate expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise provided in the Plan. **Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Debtor expressly reserves all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon or after the confirmation or consummation of the Plan.**

Without limiting the generality of the foregoing, subject to the effectiveness of the Bryant Settlement, the Transferred Causes of Action are fully preserved under the Plan and shall be transferred to the Personal Injury Trust. Subject to the effectiveness of the Bryant Settlement, the Personal Injury Trust shall be the Estate representative for the purpose of pursuing such Claims and, subject to the effectiveness of the Bryant Settlement, nothing in the Plan or this Disclosure Statement shall in any manner waive, release or modify the Transferred Causes of Action.

In addition to the foregoing, the Personal Injury Trust is fully expected to object to each Non-QHR Reimbursement, Contribution and Indemnity Claim and the holders of such Claims, including, without limitation, Dr. Bryant, should expect to litigate such objections after the Effective Date and will not obtain an Allowed Claim without prevailing with respect to such objections; provided, that Dr. Bryant's Non-QHR Reimbursement, Contribution and Indemnity Claims will be disallowed if the Bryant Settlement becomes effective prior to the Effective Date and will not be subject to any further objections.

Further, except as otherwise set forth in the Plan, the Debtor will only pay Claims that are deemed "Allowed" Claims and reserves all rights to object to any and all Claims, unless the Plan expressly provides otherwise.

A. The Bar Date and Claims

On August 30, 2011, the Debtor timely filed its schedules of Assets and liabilities [Docket No. 87] (collectively, the "Debtor's Schedules"). Pursuant to an order entered on August 22, 2011, the Bankruptcy Court authorized part of Schedule F containing the Debtor's patients' names and identifying information to be filed under seal [Docket No. 63]. The aggregate scheduled liabilities of the Debtor were \$40,506,759.91.

By order dated October 14, 2011 (the "Bar Date Order"), the Bankruptcy Court fixed December 21, 2011 at 4:00 p.m. Prevailing Mountain Time (the "Bar Date") as the deadline for holders of alleged Claims against the Debtor to file proofs of claim against the Debtor [Docket

No. 182]. The Bar Date Order also approved the form of notice (the “Bar Date Notice”) and the form of proof of claim which was to be served on all known creditors. In accordance with the Bar Date Order, the Bar Date Notice was mailed to over 81,000 potential creditors on or before October 20, 2011 and published in USA Today, the Albuquerque Journal, the Alamogordo Daily News, and the Military Times.

Pursuant to the Bar Date Order and the Plan, Claims associated with the rejection of an executory contract or unexpired lease must be filed by the later of the Bar Date or 30 days from the notice of the order rejecting the executory contract or unexpired lease.

Approximately 328 proofs of claim have been filed against the Debtor in this Chapter 11 Case in an amount exceeding \$56 million. While the Claims resolution process is in its early stages, the Debtor believes that many Claims are overstated or misclassified and will object to such Claims post-Effective Date.

1. Procedures for Resolving Claims

In the ordinary course of business, the Debtor maintains books and records (the “Books and Records”) that reflect, among other things, the Debtor’s liabilities and the amounts owed to its creditors in connection with such liabilities. The Debtor and its professionals have been in the process of conducting a review of the proofs of claim submitted in this Chapter 11 Case, including any supporting documentation, and comparing the Claims asserted in the proofs of claim with the Books and Records to determine the validity of such Claims. Based upon such review to date, the Debtor intends to bring substantive and non-substantive motions to disallow and expunge certain proofs of claim, reclassify and reassign additional proofs of claim, and reduce in its Books and Records other proofs of claim as well as scheduled Claims that had been satisfied postpetition pursuant to orders of the Bankruptcy Court.

In addition, as part of the Debtor’s review of (a) the proofs of claim submitted in this Chapter 11 Case and (b) its Books and Records, the Debtor also intends to provide the Creditors’ Committee with a list of Unsecured Claims that will constitute Allowed Unsecured Claims as of the Effective Date. Such Unsecured Claims will not be subject to post-Effective Date objections by the Debtor.

Notwithstanding the foregoing, under the Plan, the Personal Injury Trustee and the United Tort Claimants shall be responsible for determining distributions in respect of the Trust Personal Injury Claims and the Personal Injury Trustee shall be responsible for liquidating the Non-QHR Reimbursement, Contribution and Indemnity Claims and the Debtor will have no post-Effective Date control over the resolution of such Claims.

B. Robins & Morton Claim

In March of 2010, the Debtor began construction of the New Patient Tower on land adjacent to the Hospital. Before commencing construction, the Debtor entered into an agreement to hire a contractor, Robins & Morton, to oversee construction. Robins & Morton completed the New Patient Tower shortly after the Petition Date. Upon the completion of the New Patient Tower, the Debtor owed Robins & Morton approximately \$855,351.15 for unpaid prepetition invoices and \$777,263.47 for unpaid postpetition invoices. Pursuant to state law, Robins &

Morton likely had a materialmen's lien on the New Patient Tower in the amount of the unpaid invoices. The Debtor and Robins & Morton negotiated a payment schedule, which allowed the Debtor to pay the amounts owed over time and entered into a stipulation memorializing this agreement (the "Robins & Morton Stipulation"). On February 6, 2012, the Court entered an order (i) approving the Robins & Morton Stipulation between the Debtor and Robins & Morton, which, among other things, restructured the Debtor's payment schedule and (ii) authorizing the assumption of the agreement as restructured [Docket No. 351]. As to the restructuring of the Debtor's payment schedule, the Robins & Morton Stipulation provides for the Debtor to make payments to Robins & Morton on a monthly basis until the amount owed had been reduced to \$455,351.15 (the "Remaining Unpaid Robins & Morton Amount"), which it has. The Remaining Unpaid Robins & Morton Amount will be paid through the Plan as described in Section 4.1(d) of the Plan.

C. Material Litigation

1. The Lawsuits

As described above, as of the Petition Date, there were approximately 50 Lawsuits asserting Claims relating to the Procedures, each of which is identified on Exhibit A to the Debtor's *First Amended List of Creditors Holding 20 Largest Unsecured Claims* [Docket No. 49]. A number of additional Persons who did not file a Lawsuit, asserted Claims in the Chapter 11 Case relating to the Procedures. Such Claims will be channeled into the Personal Injury Trust and resolved pursuant to the Plan.

2. The Rescission Action

On February 23, 2011, Nautilus filed its Complaint for Rescission against the Debtor, Dr. Schlicht, and QHR in the United States District Court for the District of New Mexico, Case No. 11-178 (the "Rescission Action"). In the Rescission Action, Nautilus, whose insurance policies cover most of the Trust Personal Injury Claims, seeks to rescind such policies on the grounds that the Debtor misrepresented certain facts to Nautilus concerning the Procedures. The Debtor vehemently disputes the allegations contained in the Rescission Action and believes that such action is without merit.

Pursuant to the Plan, on the Effective Date, the Rescission Action shall be dismissed with prejudice with each party paying its own attorneys' fees and costs as part of the Global Settlement. In addition, also as part of the Global Settlement, on the Effective Date, Nautilus shall also release the Debtor pursuant to Section 14.19 of the Plan, including, without limitation, as to the Rescission Action. Further, the Debtor, QHR, and the holders of Trust Personal Injury Claims will release Nautilus pursuant to Sections 14.16, 14.17 and 14.18 of the Plan, respectively.

3. The Coverage Action

On January 10, 2012, the Debtor filed an adversary complaint against Nautilus, Adversary Case No. 12-01002, which is pending in the Bankruptcy Court (the "Coverage Action"). The Debtor contends that Nautilus is required to fund certain bankruptcy expenses as

part of its duty to defend the Debtor under its insurance policies. Nautilus disagrees with the Debtor's position and has indicated it is only liable for defense costs incurred in connection with the Lawsuits.

Pursuant to the Plan and the Global Settlement, on the Effective Date, the Coverage Action shall be dismissed with prejudice with each party paying its own attorneys' fees and costs. In addition, on the Effective Date, the Debtor, QHR, and the holders of the Trust Personal Injury Claims will release Nautilus pursuant to Sections 14.16, 14.17, and 14.18 of the Plan, respectively, including as to the Coverage Action.

4. Personal Injury Trust Claimants' Claims Estimation Procedures

On March 26, 2012, the Debtor filed the *Motion for Estimation of Certain Tort Claims Arising from Spinal Procedures pursuant to Proposed Procedures for the Purpose of Plan Formulation, Voting, and Confirmation* [Docket No. 429]. On April 17, 2012, the United Tort Claimants filed the *Opposition to Debtor's Motion for Estimation of Certain Tort Claims Arising from Spinal Procedures pursuant to Proposed Procedures for the Purpose of Plan Formulation, Voting, and Confirmation* [Docket No. 460]. On April 20, 2012, the Creditors' Committee filed the *Comment of the Official Committee of Unsecured Creditors in Support of the Debtor's Motion for Estimation of Certain Tort Claims Arising from Spinal Procedures pursuant to Proposed Procedures for the Purpose of Plan Formulation, Voting, and Confirmation* [Docket No. 467]. On May 1, 2012, the Debtor filed the *Reply in Support of Motion for Estimation of Certain Tort Claims Arising from Spinal Procedures pursuant to Proposed Procedures for the Purpose of Plan Formulation, Voting, and Confirmation* [Docket No. 483]. The motion for estimation seeks to estimate the aggregate amount of the Trust Personal Injury Claims in connection with the confirmation of the Plan. The Plan is being proposed with the agreement and support of the United Tort Claimants pursuant to the Global Settlement. Accordingly, the Debtor will not seek to estimate the Claims.

D. Avoidance Actions

On the Effective Date, the Debtor shall waive the right to seek affirmative recoveries in respect of any Avoidance Actions from any holder of a Class 6 – Unsecured Claim; except, that the Debtor reserves the right to assert an Avoidance Action as a offset to any such holder's Class 6 – Unsecured Claim; except, further, that the Debtor reserves the right to seek to subordinate any Claim pursuant to section 510(c) of the Bankruptcy Code and other applicable law, if appropriate.

E. Contingent, Unliquidated and/or Disputed Claims

Prior to the Confirmation Hearing, the Debtor will seek approval of procedures for voting on the Plan, including the temporary allowance of some Claims that are contingent, unliquidated and/or disputed for voting purposes. Specifically, if the Debtor has not reached an agreement with a claimant of a contingent, unliquidated and/or disputed Claim to allow such Claim only for purposes of voting and such claimant seeks to challenge the allowance or disallowance of its Claim for voting purposes, such claimant must serve on the Debtor and the Creditors' Committee and file with the Bankruptcy Court a motion seeking entry of an order pursuant to Bankruptcy

Rule 3018(a) temporarily allowing such Claim only for purposes of voting to accept or reject the Plan. The Debtor and the United Tort Claimants have entered into an agreement for the allowance of the Trust Personal Injury Claims for the limited purpose of voting on the Plan. All other contingent, unliquidated and/or disputed Claims must abide by the procedures to be approved by the Bankruptcy Court, including Dr. Bryant.

VIII.

THE CHAPTER 11 PLAN

A. Introduction

As a result of the chapter 11 process and through the Plan, the Debtor expects that creditors will obtain a substantially greater recovery from the Estate than the recovery that would be available if the Assets had been liquidated under chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as Exhibit A and forms part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by the more detailed provisions set forth in the Plan.

B. General Description of the Treatment of Claims

1. Treatment of Unclassified Claims

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Tax Claims shall not be classified under the Plan, and shall instead be treated separately as unclassified Claims and in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of the Plan or for purposes of sections 1123, 1124, 1125, 1126, or 1129 of the Bankruptcy Code.

a. Treatment of Administrative Claims

The Debtor intends to pay all Allowed Administrative Claims in full. The holder of an Administrative Claim, other than (i) a Fee Claim; (ii) a liability incurred and payable in the ordinary course of business by the Debtor (and not past due); or (iii) an Administrative Claim that has been Allowed on or before the Effective Date, must file with the Bankruptcy Court and serve on the Debtor and the U.S. Trustee, notice of such Administrative Claim within forty (40) days after service of Notice of Confirmation. Such notice must include at a minimum (A) the name of the holder of the Claim; (B) the amount of the Claim; and (C) the basis of the Claim. **Failure to file and serve such notice timely and properly shall result in the Administrative Claim being forever barred and discharged.**

Each Professional Person who holds or asserts a Fee Claim shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within forty-five (45) days after the Effective Date. **The failure to timely file and serve such Fee Application shall result in the Fee Claim being forever barred and discharged.**

Notwithstanding the foregoing, all Fee Claims for services after the Effective Date may be paid by the Debtor upon receipt of an invoice for such services, or on such other terms to which the Debtor and the relevant Professional Person may agree, without the need for further Bankruptcy Court authorization or entry of a Final Order.

An Administrative Claim with respect to which notice has been properly filed and served pursuant to Section 5.2(a) of the Plan shall become an Allowed Administrative Claim if no objection is filed within sixty (60) days after the later of (i) the Effective Date; and (ii) the date of service of the applicable notice of Administrative Claim or such later date as may be approved by the Bankruptcy Court on motion of a party in interest, without notice or a hearing. If an objection is filed within such 60-day period (or any extension thereof), the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by Final Order. A Fee Claim in respect of which a Fee Application has been properly filed and served pursuant to Section 5.2(b) of the Plan shall become an Allowed Administrative Claim only to the extent Allowed by order of the Bankruptcy Court.

On the applicable Plan Distribution Date, each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim in one Cash payment; or (ii) such other treatment as may be agreed upon in writing by the Debtor and such holder; provided, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; and provided further that an Administrative Claim representing a liability incurred and payable in the ordinary course of business of the Debtor may be paid at the Debtor's election in the ordinary course of business.

The Debtor believes that Allowed Administrative Claims, including Section 503(b)(9) Claims and Fee Claims will total \$2,100,000 on the Effective Date.

b. Treatment of Allowed Tax Claims

At the election of the Debtor, each holder of an Allowed Tax Claim will receive in full satisfaction of such Allowed Tax Claim (a) payments in Cash, in equal quarterly installments over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (b) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (c) such other treatment as may be agreed upon in writing by such holder; provided, however, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Tax Claim.

THE CONFIRMATION ORDER SHALL ENJOIN ANY HOLDER OF AN ALLOWED TAX CLAIM FROM COMMENCING OR CONTINUING ANY ACTION OR PROCEEDING AGAINST ANY RESPONSIBLE PERSON, OFFICER OR DIRECTOR OF THE DEBTOR THAT OTHERWISE WOULD BE LIABLE TO SUCH HOLDER FOR PAYMENT OF A TAX CLAIM SO LONG AS THE DEBTOR IS IN COMPLIANCE WITH SECTION 5.3 OF THE PLAN.

So long as the holder of an Allowed Tax Claim is enjoined from commencing or continuing any action or proceeding against any responsible person, officer or director under Section 5.3 of the Plan or pursuant to the Confirmation Order, the statute of limitations for commencing or continuing any such action or proceeding shall be tolled.

The Debtor is current on its taxes and does not believe there will be any Allowed Tax Claims.

2. Treatment of Classified Claims

The classes of Claims against the Debtor shall be treated under the Plan as follows:

a. Class 1 – Priority Claims

Class 1 shall consist of all Priority Claims against the Debtor. Each holder of an Allowed Priority Claim against the Debtor shall receive, on the later to occur of the Effective Date (or as soon as reasonably practicable thereafter) and the date upon which such Claim becomes an Allowed Claim, either (i) Cash in the amount of such holder's Allowed Priority Claim; or (ii) such other treatment as may be agreed upon by the Debtor and such holder; provided, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Priority Claim. Class 1 – Priority Claims are unimpaired under the Plan and holders of such Claims are, therefore, deemed to accept the Plan and are not entitled to vote to accept or reject the Plan.

Priority Claims do not include Employee Obligations, which are being assumed pursuant to the Plan. The Debtor does not believe that there is a material amount of Priority Claims.

b. Class 2 – Letter of Credit Claims

On the Effective Date, all of the Letter of Credit Claims either (i) will be satisfied in full from the proceeds of the Exit Financing as required by the Letter of Credit Documents and other applicable orders of the Bankruptcy Court, and subject to closing procedures that are agreed between the Debtor and the Letter of Credit Lender, or (ii) will be treated in a manner mutually agreeable to the Letter of Credit Lender and the Debtor. In the event that the Letter of Credit Claims are treated as set forth in clause (i) above, upon (and only upon) the payment of all amounts owed to the Letter of Credit Lender and the complete satisfaction of the Letter of Credit Claims as provided in clause (i) above, the liens and other encumbrances securing such Letter of Credit Claims will be released pursuant to closing procedures that are agreed between the Debtor and the Letter of Credit Lender. In the event that the Letter of Credit Claims are treated as set forth in clause (ii) above pursuant to an alternative treatment, the agreement between the Letter of Credit Lender and the Debtor shall be specified in writing and filed with the Court prior to the commencement of the Confirmation Hearing. In the interest of clarity, the Debtor agrees that the Letter of Credit Lender has no obligation to agree to any alternative treatment pursuant to clause (ii) above and the decision to enter into any such alternative treatment shall be within the Letter of Credit Lender's absolute discretion.

c. Class 3 – Secured Claims

Class 3 shall consist of all the Secured Claims that are not (i) Letter of Credit Claims or (ii) the Robins & Morton Claim. Each holder of an Allowed Secured Claim against the Debtor shall receive, on each relevant Plan Distribution Date, in full satisfaction of its Allowed Secured Claim, at the Debtor's option, either: (i) a single Cash payment equal to the sum of (A) the Allowed Secured Claim; and (B) accrued postpetition interest through the Effective Date, at an interest rate agreed to by the parties, or, if no agreement can be reached, as determined by the Bankruptcy Court after notice and a hearing; or (ii) deferred Cash payments when and as required by the agreement and documents giving rise to such Allowed Secured Claim; or (iii) the return of the collateral securing such Allowed Secured Claim; or (iv) if such Allowed Secured Claim is subject to a valid right of recoupment or setoff, such Claim shall be setoff to the extent of the amount subject to setoff in accordance with sections 506(a) and 553 of the Bankruptcy Code. Notwithstanding any of the foregoing, the Debtor and any holder of an Allowed Secured Claim may agree to any alternate treatment for such Secured Claim; provided, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Secured Claim.

The Debtor estimates that the aggregate value of the Secured Claims is approximately \$500,000.

d. Class 4 – Robins & Morton Claim

Class 4 shall consist of the Allowed Claim of Robins & Morton against the Debtor in connection with the construction of the New Patient Tower. The holder of the Robins & Morton Claim against the Debtor shall receive, in full satisfaction of such Claim, Cash in the amount of \$455,351.15 plus interest calculated from the Effective Date at a rate of 5% per annum, payable in twelve equal monthly installments commencing on the Effective Date, and shall retain all liens securing the Robins & Morton Claim until the holder of the Robins & Morton Claim has received all payments to which it is entitled pursuant to the Plan. Robins & Morton will receive no other Allowed Claims in respect of the Debtor of any kind or nature whatsoever. Class 4 Claims are impaired under the Plan and Robins & Morton is, therefore, entitled to vote to accept or reject the Plan.

e. Class 5 – Trust Personal Injury Claims

Class 5 shall consist of holders of Claims by the Trust Personal Injury Claimants. Such Claims, as described in the proofs of Claim filed in the Chapter 11 Case, are identified in Exhibit F hereto. The inclusion or other identification of such Claims in Exhibit F does not constitute an admission (or estimation) on the part of the Debtor of any liability on account of such Claims and includes only information provided in the applicable proofs of claim. Each holder of a Trust Personal Injury Claim shall receive, in full satisfaction of its Trust Personal Injury Claim, each of the following: (i) its allocation of the Personal Injury Trust Interests as determined by the Personal Injury Trustee pursuant to the mechanism established by the United Tort Claimants in accordance with Section 7.2(f) of the Plan; (ii) the benefits of the Global Settlement; and (iii) a release by the Debtor of any medical liens held by the Debtor against such holder for unpaid fees arising from medical services provided by the Debtor.

f. Class 6 – Unsecured Claims

Class 6 shall consist of all Claims against the Debtor other than (i) Administrative Claims, (ii) the Robins & Morton Claim, (iii) Priority Claims, (iv) Tax Claims, (v) Secured Claims, (vi) Trust Personal Injury Claims, (vii) Non-QHR Reimbursement, Contribution and Indemnity Claims, (viii) the QHR Claims, (ix) Subordinated Claims, or (x) the Letter of Credit Claims. On the applicable Plan Distribution Dates, each holder of an Allowed Unsecured Claim against the Debtor will receive payment of its Allowed Unsecured Claim in full and in Cash, plus interest at a rate of 3% per annum, in eight separate and equal quarterly installments; provided, that prior to the Debtor making any such payments, the amount of such holder's Allowed Unsecured Claim shall be reduced by applying the full amount of any previously unapplied postpetition deposit paid by the Debtor to such holder as adequate assurance of future performance to such holder's Allowed Unsecured Claim. Interest in respect of an Allowed Unsecured Claim shall begin to accrue on the Effective Date and shall continue to accrue on the outstanding amount of such Allowed Unsecured Claim until such Allowed Unsecured Claim is paid in full. The first payment in respect of an Allowed Unsecured Claim shall be made on later of (i) the Effective Date; and (ii) the date such Unsecured Claim becomes an Allowed Claim. Thereafter, such holder shall receive seven additional payments on the last Business Day of each fiscal quarter.

After the Petition Date, the Debtor tendered deposits to holders of Unsecured Claims for the purpose of providing assurances that the Debtor would perform its postpetition obligations. Under the Plan, these deposits will be applied to such holders' Unsecured Claims prior to the first Plan Distribution Date in respect of such Unsecured Claims to the extent that they have not been previously applied to the Debtor's postpetition obligations.

The Debtor estimates that the total amount of Unsecured Claims is approximately \$1,425,000.

g. Class 7 – QHR Claims

Class 7 shall consist of all Claims of each QHR Entity against the Debtor arising on or before the Effective Date, including without limitation the QHR Reimbursement, Contribution and Indemnity Claims. On the Effective Date, pursuant to the terms of the Global Settlement, each holder of a QHR Claim shall release all QHR Claims that they hold against the Debtor and shall receive, in full satisfaction of such QHR Claims, the releases from the Debtor set forth in Section 14.16(c) of the Plan and the benefits of the Global Settlement.

h. Class 8 – Non-QHR Reimbursement, Contribution and Indemnity Claims

Class 8 shall consist of (i) the Bryant Reimbursement, Contribution and Indemnity Claims and (ii) the Third Party Reimbursement, Contribution and Indemnity Claims. Except as set forth in Section 7.2(h) of the Plan, each holder of an Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim shall be paid by the Personal Injury Trustee from the Personal Injury Trust Property an amount equal to such holder's Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim, without interest, not later than ten (10) Business Days following the date that such Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim becomes an Allowed Claim, provided, however, that, absent the agreement of the Personal Injury Trustee, the holder of an Allowed Non-QHR Reimbursement, Contribution and Indemnity

Claim shall not be entitled to receive any proceeds of the Personal Injury Trust Note on account of its Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim.

Importantly, the Personal Injury Trust is expected to object to all Non-QHR Reimbursement, Contribution and Indemnity Claims, including, without limitation, in the absence of the Bryant Settlement, those of Dr. Bryant and might seek to reclassify such Claims as Subordinated Claims. Further, it is expected that any such Claims will only become Allowed, if ever, after substantial litigation.

If the Bryant Settlement becomes effective prior to the Effective Date, the Non-QHR Reimbursement, Contribution and Indemnity Claims held by Dr. Bryant will be deemed released and disallowed and Dr. Bryant shall not be entitled to receive any recoveries under the Plan on account of his Non-QHR Reimbursement, Contribution and Indemnity Claims, including, without limitation, from the Personal Injury Trust or otherwise.

i. Class 9 – Subordinated Claims

Class 9 shall consist of all Claims that either (i) have been subordinated to Unsecured Claims pursuant to section 510(c) of the Bankruptcy Code by a Final Order; or (ii) were filed with the Bankruptcy Court after the applicable Claims Bar Date. Each holder of an Allowed Subordinated Claim shall neither receive nor retain under the Plan any property of any kind or nature whatsoever, including, without limitation, Cash, on account of such holder's Allowed Subordinated Claim. Class 9 Claims are not retaining or receiving any property under the Plan and, therefore, Class 9 is not entitled to vote and is deemed to have rejected the Plan.

The Personal Injury Trust reserves the right to attempt to subordinate all Non-QHR Reimbursement, Contribution and Indemnity Claims. Further, under the Plan, all late filed Claims are classified as Subordinated Claims.

3. Special Note Concerning Classification of Certain Claims

Section 1122(a) of the Bankruptcy Code provides that only claims which are “substantially similar” to one another may be classified within the same class; however, section 1122(a) does not require all similar claims be placed within the same class. Indeed, a plan proponent may classify claims with similar legal attributes differently if there is a legitimate reason to do so based upon the facts of a particular case.

The Plan's classification of the Trust Personal Injury Claims in the same class (including those held by Sandra J. East, in her individual capacity and as representative of the estate of Stanley B. East, deceased) is proper because they are all substantially similar Claims of equal legal priority. The Plan's classification of the Trust Personal Injury Claims separately from the Unsecured Claims is proper because there is a legitimate reason to do so.

The Trust Personal Injury Claims (including those held by Sandra J. East, in her individual capacity and as representative of the estate of Stanley B. East, deceased) are substantially similar because they are each (a) unsecured Claims, (b) arising from personal injuries purportedly caused by the Debtor during such period as the Nautilus Policies were in effect, and (c) which are unliquidated and/or disputed. Their classification apart from the Unsecured Claims is proper because Unsecured Claims, including the Other Personal Injury

Claims (which are classified as Unsecured Claims), have no right to the proceeds of the Nautilus Policies and Nautilus has no duty to defend the Debtor against any Unsecured Claims. Indeed, Other Personal Injury Claims are covered by other insurance policies and the Debtor believes that it has sufficient insurance to pay any such Claims that become Allowed. Further, the bulk of the Unsecured Claims are fully liquidated and undisputed Claims arising from the provision of goods and services to the Debtor and the continued provision of goods and services to the Debtor from the holders of such Claims is important to the continuation of the Debtor's business.

The Plan's proposed treatment of the Trust Personal Injury Claims recognizes the distinction between such Claims and the Unsecured Claims. Under the terms of the Global Settlement, Nautilus will tender policy limits (plus an additional \$450,000) in order to fulfill its duties under the Nautilus Policies. As a result, Nautilus will no longer have a duty to defend the Debtor in respect of Claims held by the Trust Personal Injury Claimants. Placing the Trust Personal Injury Claims in the same Class 5 is legitimate, reasonable and proper because it (a) allows the holders of such Claims to share in the proceeds of the Nautilus Policies (along with the proceeds of the Debtor's settlement payments to the Personal Injury Trust) and (b) relieves the Debtor from the obligation to defend such Claims. Nautilus would not have agreed to pay its policy limits without simultaneously extinguishing its duties to defend and the Debtor would not have suffered the extinguishment of Nautilus' duty to defend unless it was simultaneously relieved of the costs of defending previously covered Claims. As such, the classification of the Trust Personal Injury Claims separate and apart from the Unsecured Claims was fundamental to the Global Settlement and is important to the Debtor's continuing operations. This is a legitimate reason to classify such Claims separately and is therefore permitted by the Bankruptcy Code.

Further, as noted above, because the Claims held by Sandra J. East, in her individual capacity and as representative of the estate of Stanley B. East, deceased, are substantially similar to those held by the other holders of Trust Personal Injury Claims, their classification together is proper.

C. Exit Financing

The Debtor is working to obtain no less than \$50 million of Exit Financing and has retained Jefferies & Company for that purpose. The Debtor anticipates finalizing and obtaining Bankruptcy Court approval of such Exit Financing on or before the Effective Date in at least the minimum amount described above.

D. Means of Implementation of the Plan

1. Operation between the Confirmation Date and the Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Debtor shall continue to operate its business as Debtor in Possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

2. Continued Corporate Existence of the Debtor

Post-Effective Date, the Debtor will be reorganized pursuant to the Plan and continue to exist as Otero County Hospital Association, Inc. d/b/a Gerald Champion Regional Medical Center d/b/a Mountain View Catering.

3. Re-vesting of Assets

Upon the occurrence of the Effective Date, except as otherwise expressly provided in the Plan, title to all of the Assets of the Debtor shall vest in the Debtor free and clear of all liens, Claims, interests, security interests and other encumbrances and without further order of the Bankruptcy Court. On and after the occurrence of the Effective Date, except as otherwise provided in the Plan, the Debtor may operate its business and may use, acquire and dispose of its Assets free of any restrictions of the Bankruptcy Code.

4. Management and Officers

The Debtor's current board of directors and officers are as follows:

Name	Position	Board Commencement Date
Norm Arnold, Jr.	Chairman of the Board	1983
Art Austin, MD	Vice Chairman of the Board	1987
William Mershon	Chairman of the Joint Finance/Executive Committee	1983
William Mayton	Secretary of the Board, Foundation President, Chairman of the Investment Committee	2002
Fred Baker	Chairman of the Human Resource Committee	1991
James Harris	Board Member	1980
Gregory Richardson, MD	Board Member	1992
Jaime Anderson	Board Member	1985
Robin French	Board Member	2010
Lisa Thomassie	Board Member	2010
Jim Heckert	Chief Executive Officer	2008

Norm Arnold, Jr. – Board Chairman. Mr. Arnold was in business in the Alamogordo community for more than fifty years as an automotive dealer and motel owner and is currently a photographer. He has been the Chairman of the Board for over 20 years.

Arthur Austin, MD – Board Member. Dr. Austin is an Internal Medicine provider who has lived in Alamogordo since 1978 and owned a practice for 25 years in Alamogordo as well as been the Debtor's Chief Medical Officer since 2005. He has been a member of the Board of Directors since 1987.

William Mershon – Board Member. Mr. Mershon is a rancher who retired from the Otero Electric Coop after 32 years as manager. He also serves on the Board of Directors for First American Bank.

William Mayton – Board Member. Mr. Mayton is Senior VP/CFO, First National Bank in Alamogordo and has been with First Alamogordo Bancorp/ First National Bank in Alamogordo since January 1990. He started his banking career in 1977 and has worked for financial institutions in Las Cruces, Hobbs, and Ruidoso in addition to Alamogordo.

Fred Baker – Board Member. Mr. Baker served in the military for 26 years as a meteorologist. Upon retiring from the military, he became the Director of Student and Health Service at the New Mexico School for the Blind and Visually Impaired. Although retired from NMSBVI, he continues to be active with Alamogordo Chamber of Commerce and United Way.

James Harris – Board Member. Mr. Harris is a retired insurance agent and owner of Charles, Garland and Harris Insurance Agency after 35 years of service. His memberships, activities, and honors include: Alamogordo Chamber of Commerce; Committee of 50; Otero County Economic Development Council; the Alamogordo Rotary Club; 1991 Chamber of Commerce Citizen of the Year; and 1998-1999 Helen Kirk Award. He also served as Commissioner on the New Mexico Commission of Education.

Jaime Anderson – Board Member. Mr. Anderson is a businessman from the Alamogordo area. He is owner of Anderson Refrigeration Inc. which has been in business for 43 years.

Gregory Richardson, MD – Board Member. Dr. Richardson is a board certified surgeon. In 1980, Dr. Richardson moved to Alamogordo, New Mexico where he opened his private practice. He has been an active member of the Debtor's staff since 1980.

Robin French – Board Member. Mrs. French began her career with Alamogordo Federal Savings & Loan (BANK'34) in 1985 where she remained until June of 1997 when she became the Escrow Closing Officer for Alamogordo Title Company. In addition, she co-owned Alamogordo Title Company from 2003 to 2009. Mrs. French is also involved with the Otero County Boys and Girls Club, United Way, Habitat for Humanity, Building Contractors Association of Otero County, the Alamogordo Rotary Club, and served on the Public Relations committee for New Mexico Land Title Association.

Lisa Thomassie – Board Member. Mrs. Thomassie is the Innkeeper/General Manager for The Lodge Resort in Cloudcroft, New Mexico. She has over 25 years of diversified experience in the hospitality industry, including single- and multi-property operations; development and implementation of marketing plans and cost controls in all areas of hotel operations; planning and implementation of property upgrades, including physical rehabilitation, marketing focus and operating policies.

Robert J. Heckert – President and Chief Executive Officer. Mr. Heckert has been the Chief Executive Officer at the Hospital since March 2008. In addition, he has been involved in numerous local and state organizations such as the Alamogordo Rotary Club, the Otero County Chamber of Commerce, New Mexico Hospital Association, and Otero County United Way. Prior to joining the Debtor, Mr. Heckert served from 2001 to 2008 as the CEO of Daviess Community Hospital in Washington, Indiana. While in Indiana, he served on the Board of Directors for the Indiana Hospital and Health Association and as Chairman of the Council on Rural Health for three years. In addition, Mr. Heckert served on the Governor's Informatics Commission and was President of Washington Rotary Club from 2006-2007.

William Morgan Hay – Chief Financial Officer. Mr. Hay is a Certified Public Accountant and Fellow in the Healthcare Financial Management Association. He has over 20 years experience in the healthcare field. Prior to joining the Debtor's team in January 2009 he was Vice President/CFO for Marshall Regional Medical Center, a 150-bed facility in Marshall, Texas, and Vice President, finance at Valley Baptist Health System in Harlingen, Texas, a 590-bed facility with several associated organizations.

The board of directors and officers of the Debtor shall continue to serve in their current capacity on and after the Effective Date. Subject to applicable law, from and after the Effective Date, the officers of the Debtor shall be selected and appointed, in accordance with, and pursuant to, the provisions of applicable law and the Debtor's constituent documents.

Pursuant to the Plan, the Debtor will assume the QHR Management Contract. As such, QHR will remain as the Debtor's management company on a post-Effective Date basis and continue to provide the Debtor with a President and Chief Executive Officer and Chief Financial Officer.

5. Employees

On the Effective Date, the Debtor shall assume all of its Employee Obligations. Nothing in the Plan shall constitute an assumption by the Debtor of any Claims or obligations to its employees other than ordinary course employee benefit and compensation obligations. **Without limiting the foregoing, nothing in Section 7.9 of the Plan shall constitute an assumption by the Debtor of any Claims on account of any purported breaches of any applicable employment laws, which, in each case, shall be treated as Unsecured Claims hereunder, if Allowed.**

6. Director and Officer Liability Insurance

The Debtor's tail coverage under its director and officer liability insurance policies shall remain in full force and effect after the Effective Date for the term provided under such policies.

7. Causes of Action

Without limiting anything in Article VII of the Plan, except, subject to the effectiveness of the Bryant Settlement, for the Transferred Causes of Action and as otherwise set forth in the Plan, all Causes of Action of the Debtor and its Estate shall, upon the occurrence of the Effective Date, be vested in the Debtor. Except as otherwise provided in the Plan, the rights of the Debtor to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. Further, the rights of the Personal Injury Trustee to pursue the Transferred Causes of Action shall be fully preserved notwithstanding the occurrence of the Effective Date.

Note that, subject to the effectiveness of the Bryant Settlement, each of the Transferred Causes of Action is expressly preserved by the Plan. Further, the Debtor expects that the Personal Injury Trust will object to each Non-QHR Reimbursement, Contribution and Indemnity Claim and the Plan preserves the Personal Injury Trust's right to do so.

E. Appointment of the Disbursing Agent

Upon the occurrence of the Effective Date, (a) the Debtor shall be appointed to serve as the Disbursing Agent with respect to all Allowed Claims other than Allowed Trust Personal Injury Claims and Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims; and (b) the Personal Injury Trustee shall be appointed to serve as the Disbursing Agent with respect to Allowed Trust Personal Injury Claims and Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims. Each of the Debtor and the Personal Injury Trustee, in its respective capacity a Disbursing Agent, shall have all powers, rights, duties and protections afforded the Disbursing Agent under the Plan.

1. Powers and Duties of the Disbursing Agent

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall be empowered and directed to (a) take all steps and execute all instruments and documents necessary to make Plan Distributions to holders of Allowed Claims; (b) comply with the Plan and the obligations thereunder; (c) employ, retain, or replace professionals to represent it with respect to its responsibilities; (d) object to Claims as specified in the Plan, and prosecute such objections; (e) compromise and settle any issue or dispute regarding the amount, validity, priority, treatment, or Allowance of any Claim as provided in the Plan; (f) make annual and other periodic reports regarding the status of distributions under the Plan to the holders of Allowed Claims that are outstanding at such time, with such reports to be made available upon request to the holder of any Contested Claim; and (g) exercise such other powers as may be vested in the Disbursing Agent pursuant to the Plan, the Plan Documents or an order of the Bankruptcy Court.

2. Sources of Cash for Plan Distributions

All Cash necessary for the Debtor to make payments and Plan Distributions in its capacity as Disbursing Agent shall be obtained from the Debtor's existing Cash balances, operations, and Exit Financing. The Debtor has attached detailed projections, as Exhibit C to this Disclosure Statement that establish the Debtor's ability to satisfy its obligations hereunder.

All Cash necessary for the Personal Injury Trustee to make payments and Plan Distributions in its capacity as Disbursing Agent shall be obtained from the assets of the Personal Injury Trust in accordance with the terms of the Personal Injury Trust Declaration.

3. Plan Distributions

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall make the required Plan Distributions specified under the Plan on the relevant Plan Distribution Date therefore.

4. Exculpation of the Disbursing Agent

Except as otherwise provided in Section 8.3 of the Plan, the Disbursing Agent, together with its officers, directors, employees, agents, and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and all other parties in interest, from any and all Causes of Action arising out of the discharge of the powers and duties conferred upon the Disbursing Agent (and each of its respective paying agents), by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Disbursing Agent's willful misconduct or gross negligence. No holder of a Claim or representative thereof, shall have or pursue any Cause of Action (a) against the Disbursing Agent or its respective officers, directors, employees, agents, and representatives for making Plan Distributions in accordance with the Plan; or (b) against any holder of a Claim for receiving or retaining Plan Distributions as provided for by the Plan. Nothing contained in Section 8.3 of the Plan shall preclude or impair any holder of an Allowed Claim from bringing an action in the Bankruptcy Court against any Debtor to compel the making of Plan Distributions contemplated by the Plan on account of such Claim

F. The Personal Injury Trust

1. Formation of the Personal Injury Trust

On the Effective Date, pursuant to section 1123(a)(5) of the Bankruptcy Code, a trust will be created for the benefit of the holders of Trust Personal Injury Claims pursuant to the Personal Injury Trust Declaration (the "Personal Injury Trust"). The Personal Injury Trust shall be administered by the "Personal Injury Trustee," which shall be selected by the United Tort Claimants and shall be identified prior to the commencement of the Confirmation Hearing. The appointment of the initial Personal Injury Trustee and the terms of its compensation shall be subject to the approval of the Bankruptcy Court.

During the period from the Confirmation Date to the Effective Date, the Debtor shall reimburse the Personal Injury Trustee for actual and necessary out-of-pocket expenses incurred by it in preparing to assume its responsibilities under the Personal Injury Trust Declaration in an aggregate amount not to exceed \$10,000. On the Effective Date, the Debtor shall issue and deliver the Personal Injury Note in the amount of \$7.5 million to the Personal Injury Trust and shall thereafter make 36 monthly payments of \$208,333.33, commencing on the Effective Date, until the Personal Injury Note is paid in full. In addition, on the Effective Date, but subject to the effectiveness of the Bryant Settlement, the Debtor shall transfer the Transferred Causes of Action

to the Personal Injury Trust, which includes all of the Debtor's Causes of Action against Dr. Bryant. Such transfers shall be free and clear of liens, Claims and other encumbrances and shall be administered for the benefit of the holders of Trust Personal Injury Claims on the terms and conditions set forth in the Plan and the Personal Injury Trust Declaration.

2. Bryant Settlement

The Debtor and Dr. Bryant have entered into the Bryant Settlement, but, as of the filing of this Disclosure Statement, the Bryant Settlement has not yet been approved by the Bankruptcy Court. Notwithstanding anything else in the Plan, if the Bryant Settlement is approved by the Bankruptcy Court and becomes effective on or before the Effective Date, the Transferred Causes of Action shall not be transferred to the Personal Injury Trust and shall, instead, be deemed released as of the effective date of the Bryant Settlement. Further, notwithstanding anything else in the Plan, including, without limitation, in Section 4.1(h) of the Plan, if the Bryant Settlement is approved by the Bankruptcy Court and becomes effective on or before the Effective Date, all Bryant Reimbursement, Contribution and Indemnity Claims shall be deemed released and Dr. Bryant shall not be entitled to any recoveries on account of his Bryant Reimbursement, Contribution and Indemnity Claims under the Plan from the Personal Injury Trust or otherwise. Additionally, if the Transferred Causes of Action are not transferred to the Personal Injury Trust as a result of the Bryant Settlement, the Debtor shall be relieved from its obligations to preserve the Debtor's books and records and cooperate with the Personal Injury Trustee in respect of the Transferred Causes of Action.

3. Purpose of the Personal Injury Trust

The Personal Injury Trust shall be established for the primary purpose of liquidating its assets in accordance with Treas. Reg. § 301.7701-4(d) with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Personal Injury Trust. Accordingly, the Personal Injury Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the non-Cash Personal Injury Trust Property, make timely distributions to the holders of Personal Injury Trust Interests, and not unduly prolong the duration of the Personal Injury Trust. The Personal Injury Trust shall not be deemed a successor-in-interest of the Debtor for any purpose other than as specifically set forth herein or in the Personal Injury Trust Declaration. The Personal Injury Trust is intended to qualify as a "grantor trust" for federal income tax purposes with the holders of Personal Injury Trust Interests treated as grantors and owners of the Personal Injury Trust. As soon as practicable after the Effective Date, the Personal Injury Trustee (to the extent that the Personal Injury Trustee deems it necessary or appropriate in his or her sole discretion) shall value the assets of the Personal Injury Trust based on the good faith determination of the Personal Injury Trustee. The valuation shall be used consistently by all parties for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding such valuation.

4. Property of the Personal Injury Trust

The property of the Personal Injury Trust shall be comprised of the following: (i) the Personal Injury Note, issued by the Debtor and payable in the aggregate amount of \$7.5 million in thirty-six (36) equal installments of \$208,333.33 payable over three years and (ii), subject to the effectiveness of the Bryant Settlement, the Transferred Causes of Action.

The Transferred Causes of Action consist of unliquidated claims, based in tort and contract law, against Dr. Bryant. If the Bryant Settlement is approved by the Bankruptcy Court and becomes effective prior to the Effective Date, the Transferred Causes of Action will not be transferred to the Personal Injury Trust and will, instead, be released. Further, the Personal Injury Trust will not be responsible for the payment of any Non-QHR Reimbursement, Contribution and Indemnity Claims held by Dr. Bryant, as would be the case absent the Bryant Settlement.

If the Bryant Settlement is not approved and the Transferred Causes of Action are pursued by the Personal Injury Trust, any recoveries in respect of such Transferred Causes of Action could be reduced by the amount of any Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims, including those held by Dr. Bryant. The Personal Injury Trustee will oppose such Claims and the Debtor believes that such Claims will ultimately be disallowed, but there is no guarantee that the Personal Injury Trustee will succeed in its objections.

5. Certain Obligations of the Personal Injury Trust

The Personal Injury Trust shall be solely responsible for paying from the Personal Injury Trust Property (i), subject to Section 4.1(h) of the Plan and the effectiveness of the Bryant Settlement, any and all Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims; and (ii) all costs and expenses of the Personal Injury Claims Committee.

6. Power and Duties of the Personal Injury Trustee

The Personal Injury Trustee shall have the power to administer the assets of the Personal Injury Trust in a manner consistent with the Personal Injury Trust Declaration and the Personal Injury Trustee shall be the Estate representative designated to prosecute any and all Transferred Causes of Actions, which are each expressly preserved by the Plan. Without limiting the generality of the foregoing, the Personal Injury Trustee shall (i) hold and administer, the assets of the Personal Injury Trust; (ii) subject to the effectiveness of the Bryant Settlement, have the sole power and authority to evaluate and determine strategy with respect to the Transferred Causes of Action and to litigate, settle, transfer, release or abandon any such Transferred Causes of Action on behalf of the Personal Injury Trust; (iii) subject to the effectiveness of the Bryant Settlement, have authority to pay all out of pocket expenses incurred in connection with the prosecution of the Transferred Causes of Action from assets of the Personal Injury Trust; (iv) subject to the effectiveness of the Bryant Settlement, have the sole power and authority to prosecute objections to the Non-QHR Reimbursement, Contribution and Indemnity Claims at its own cost and expense; (v) have the power and authority to retain, as an expense of the Personal Injury Trust, such other attorneys, advisors, other professionals and employees as may be appropriate to perform the duties required of the Personal Injury Trustee hereunder or in the Personal Injury Trust Declaration; (vi) make distributions as provided in the Personal Injury Trust Declaration and the Plan; and (vii) provide periodic reports and updates regarding the status of the administration of the Personal Injury Trust.

The Personal Injury Trustee shall be deemed a Disbursing Agent under the Plan when making distributions to holders of Allowed Trust Personal Injury Claims pursuant to the Personal Injury Trust Declaration.

7. Termination of Personal Injury Trust

The Personal Injury Trust will terminate as soon as practicable, but not later than the seventh (7th) anniversary of the Effective Date; provided, however, that, on or prior to the seventh (7th) anniversary of the Effective Date (or such later date as may be permitted by order of the Bankruptcy Court as described in this Subsection 7.2(e) of the Plan), the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Personal Injury Trust for a finite period, if such an extension is necessary to liquidate the assets of the Personal Injury Trust or for other good cause. Multiple extensions of the termination of the Personal Injury Trust may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term and the Personal Injury Trustee receives an opinion of counsel or a favorable ruling from the United States Internal Revenue Service (the “IRS”) that any further extension would not adversely affect the status of the Personal Injury Trust as a grantor trust for federal income tax purposes.

8. Determination of Personal Injury Trust Interests

Prior to the Confirmation Date, the United Tort Claimants shall establish a procedure for determining the amount of distributions each holder of an Allowed Trust Personal Injury Claim shall receive from the Personal Injury Trust and the Personal Injury Trustee shall make distributions, on each Plan Distribution Date, in a manner consistent with such procedure. Prior to making distributions to holders of Trust Personal Injury Claims, the Personal Injury Trustee shall establish sufficient reserves to reasonably assure that the Personal Injury Trust is able to (i) pay all administrative costs; (ii) pay the costs and expenses of the Personal Injury Claims Committee; and, (iii) subject to Section 4.1(h) of the Plan and the effectiveness of the Bryant Settlement, satisfy all Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims in full, except that Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims cannot be satisfied from the proceeds of the Personal Injury Note without the agreement of the Personal Injury Trustee. It is the Debtor’s understanding that the procedures for determining the amount of distributions to holders of Allowed Trust Personal Injury Claims have already been agreed to by the United Tort Claimants.

9. Effect of Debtor’s Default Under Personal Injury Note

Notwithstanding anything set forth in the Plan, including, without limitation, in Sections 14.4 and 14.5 of the Plan, the Trust Personal Injury Claims shall not be deemed discharged pursuant the Plan or section 1141(d) of the Bankruptcy Code and the releases of the holders of Trust Personal Injury Claims set forth in Section 14.18 of the Plan and in the Global Settlement shall not be effective, if the Debtor fails to make any payment due in respect of the Personal Injury Trust Note and such failure is not cured within thirty (30) days of the receipt of a written notice issued by the Personal Injury Trustee that such failure has occurred. In the event that the Trust Personal Injury Claims are reinstated as set forth above, the Debtor shall be entitled to assert any and all defenses it may have to the Trust Personal Injury Claims and assert any Claims it may hold against holders of Trust Personal Injury Claims notwithstanding the releases set forth in Section 14.16(c) of the Plan or in the Global Settlement.

10. Certain Obligations of the Debtor

Subject to the effectiveness of the Bryant Settlement, the Debtor shall cooperate in a commercially reasonable manner and in good faith with the Personal Injury Trustee to assure that the Personal Injury Trust has full and complete access to the Debtor's records and documents in connection with its duty to prosecute the Transferred Causes of Action. Without limiting the generality of the foregoing, the Debtor shall (i) preserve all records and documents (including any electronic records and documents) related to the Transferred Causes of Action until the fifth (5th) anniversary of the Effective Date, or if actions related to the Transferred Causes of Action remain pending as of such date, until the Personal Injury Trustee notifies the Debtor that such records are no longer required to be preserved; and (ii) provide the Personal Injury Trustee with reasonable access to review and copy such records and documents.

11. Certain Exculpations

The Personal Injury Trustee, the United Tort Claimants, and the Personal Injury Claims Committee, together with their respective officers, directors, employees, agents, and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and other parties in interest, from any and all Causes of Action, arising out of the discharge of the powers and duties conferred upon the Personal Injury Trustee by the Personal Injury Trust Declaration, the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Personal Injury Trustee's gross negligence or willful misconduct. No holder of a Claim or representative thereof shall have or pursue any claim or Cause of Action against the Personal Injury Trustee, the United Tort Claimants or the Personal Injury Claims Committee, or any of their respective officers, directors, employees, agents, or representatives, for establishing and/or implementing the mechanism set forth in Section 7.2(f) of the Plan, making payments in accordance with the Personal Injury Trust Declaration, or for liquidating assets to make payments under the Personal Injury Trust Declaration.

12. Personal Injury Claims Committee

On the Effective Date, the United Tort Claimants shall establish a committee of representatives of holders of Trust Personal Injury Claims to act as the "Personal Injury Claims Committee" under the Plan. The Personal Injury Claims Committee shall have standing (along with each Trust Personal Injury Claimant) to object to any action taken or omission by the Personal Injury Trustee, and shall have all of the other rights and responsibilities set forth in the Plan. Without limiting the generality of the foregoing, the primary purpose of the Personal Injury Claims Committee will be to serve as the liaison between the Personal Injury Trust and the holders of the Personal Injury Claims and to establish the procedure for making distributions from the Personal Injury Trust. The Debtor shall have no responsibility for any costs and expenses incurred by the Personal Injury Claims Committee.

Notwithstanding anything set forth in Section 7.3(b) of the Plan or otherwise in the Plan, including, without limitation, in Sections 14.4 and 14.5 of the Plan, the Trust Personal Injury Claims shall not be deemed discharged pursuant to the Plan or section 1141(d) of the Bankruptcy Code and the releases of the holders of Trust Personal Injury Claims set forth in Section 14.18 of

the Plan or in the Global Settlement shall not be effective, if the Debtor fails to make any payment due in respect of the Personal Injury Trust Note and such failure is not cured within thirty (30) days of the receipt of a written notice issued by the Personal Injury Trustee that such failure has occurred. In the event that the Trust Personal Injury Claims are reinstated as provided in Section 7.3(b) of the Plan, the Debtor shall be entitled to assert any and all defenses it may have to the Trust Personal Injury Claims and assert any Claims it may hold against holders of Trust Personal Injury Claims notwithstanding the releases set forth in Section 14.16(c) of the Plan or in the Global Settlement.

13. Disclosure of Certain Personal Injury Trust Matters Prior to Confirmation

In order to fully disclose the identify of the Personal Injury Trustee, the mechanism for determining the valuation and Allowance of Trust Personal Injury Claims, and the composition of the Personal Injury Claims Committee, the Debtor shall, not fewer than ten (10) Business Days prior to the Voting Deadline, (i) file and (ii) publish at <http://www.kccllc.net/gcrmc> (the website maintained by KCC in connection with the Chapter 11 Case), the following Plan Documents:

- The Personal Injury Trust Declaration;
- A notice identifying the proposed Personal Injury Trustee, including (a) a resume setting forth the qualifications of such proposed Personal Injury Trustee; and (b) a statement of all connections between the proposed Personal Injury Trustee, on the one hand, and (i) the Trust Personal Injury Claimants (including, without limitation, the United Tort Claimants) (ii) counsel to the United Tort Claimants, (iii) the Debtor, (iv) the members of the proposed Personal Injury Claims Committee, and (v) any insiders of any of the foregoing as defined in section 101(31) of the Bankruptcy Code, on the other hand;
- A notice identifying the Persons proposed as members of the Personal Injury Claims Committee, including each such Person's previous role in the Chapter 11 Case;
- Any document establishing the governance mechanism of the Personal Injury Claims Committee; and
- A description of the proposed mechanism for the valuation and Allowance of the Claims of Sandra J. East (in her individual capacity and as representative of Stanley B. East, deceased), Marlene Pellman, Sharon Degner, and Ray Sanchez, as well as a statement of how the Debtor believes such proposed mechanism will result in such claimants receiving their fair share of the Personal Injury Trust Property; provided, however, that such mechanism shall not be required to disclose any information regarding any specific Claim held by any United Tort Claimant, including, without limitation, information regarding any specific individual valuation or Allowance of such Claims.

14. Certain Provisions Concerning Other Personal Injury Claims

The Plan also includes provisions concerning personal injury claims not related to the Lawsuits or the Procedures. Such Claims are referred to in the Plan as “Other Personal Injury Claims.” Notwithstanding anything else set forth in the Plan, on the Effective Date, all Other Personal Injury Claims shall be deemed Contested Claims and shall not become Allowed absent a judgment from a court of competent jurisdiction or agreement of the Debtor. On and after the Effective Date, notwithstanding the automatic stay (to the extent applicable), the discharge provided for in section 1141(d) of the Bankruptcy Code and in the Plan, and any other injunction provided for in the Plan, the holders of Other Personal Injury Claims that filed a timely proof of claim in respect of such Claims shall be entitled to liquidate such Claims against the Debtor in the court of their choice, provided, that any such Other Personal Injury Claims that become Allowed Claims as provided in Section 7.4 of the Plan shall be paid as Unsecured Claims under the Plan, and provided further, that any such Allowed Other Personal Injury Claims shall be reduced by the amount of any insurance proceeds paid to the holders of such Allowed Other Personal Injury Claims on account of such Claims. Holders of Other Personal Injury Claims that failed to file a timely proof of claim shall, on the Effective Date, have their Claims disallowed in their entirety and shall be fully subject to the automatic stay (to the extent applicable), the discharge provided for in section 1141(d) of the Bankruptcy Code and in the Plan, and any other injunctions set forth in the Plan.

15. Approval of the Global Settlement

As described above, after extensive arm’s-length negotiations, the Debtor, QHR, Nautilus, and the United Tort Claimants reached a settlement to resolve the Trust Personal Injury Claims. Such settlement is memorialized in the Global Settlement and the Global Settlement Documentation.

The entry of the Confirmation Order shall constitute a finding that each of the Global Settlement and the Global Settlement Documentation is (a) approved in all respects; (b) fair, equitable and in the best interest of creditors and all other parties in interest; (c) the product of arm’s-length negotiations; (d) fully consistent with and does not violate the Nautilus Policies; and (e) appropriate in all respects and was entered into in good faith. On the Effective Date, the Debtor shall be authorized to perform all of its obligations under the Global Settlement and the Global Settlement Documentation without further order of the Bankruptcy Court. Without limiting the generality of the foregoing, each party to the Global Settlement, including, without limitation, the Debtor, QHR and Nautilus, shall be obligated to make all payments set forth in the Global Settlement on the terms and conditions set forth therein. In the event of a conflict between the Global Settlement Documentation and the Plan, the terms of the Plan shall govern.

G. Plan Distribution Provisions

1. Plan Distributions

The Disbursing Agent shall make all Plan Distributions in accordance with the terms of the Plan. In the event a Plan Distribution shall be payable on a day other than a Business Day, such Plan Distribution shall instead be paid on the immediately succeeding Business Day, but shall be deemed to have been made on the date otherwise due. For federal income tax purposes,

except to the extent a Plan Distribution is made in connection with reinstatement of an obligation pursuant to section 1124 of the Bankruptcy Code, a Plan Distribution will be allocated first to the principal amount of a Claim and then, to the extent the Plan Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest.

2. Timing of Plan Distributions

Each Plan Distribution shall be made on the relevant Plan Distribution Date therefor and shall be deemed to have been timely made if made on such date or within ten (10) days thereafter.

3. Address for Delivery of Plan Distributions

Subject to Bankruptcy Rule 9010, any Plan Distribution or delivery to a holder of an Allowed Claim shall be made at the address of such holder as set forth (a) in the Debtor's Schedules; (b) on the proof of claim filed by such holder; (c) in any notice of assignment filed with the Bankruptcy Court with respect to such Claim pursuant to Bankruptcy Rule 3001(e); and (d) in any notice served by such holder giving details of a change of address. If any Plan Distribution is returned to the Disbursing Agent as undeliverable, no Plan Distributions shall be made to such holder unless the Disbursing Agent is notified of such holder's then current address within ninety (90) days after such Plan Distribution was returned. After such date, if such notice was not provided, a holder shall have forfeited its right to such Plan Distribution, and the undeliverable Plan Distributions shall be returned to the Debtor.

4. De Minimis Distributions

No Plan Distribution of less than twenty-five dollars (\$25.00) shall be made by the Disbursing Agent to the holder of any Claim unless a request therefor is made in writing to the Disbursing Agent within ninety (90) days of the Effective Date. Each Plan Distribution of less than twenty-five dollars (\$25.00) as to which no request is made as provided in Section 9.4 of the Plan shall automatically revert to the Debtor on the ninety-first (91st) day after the Effective Date.

5. Time Bar to Cash Payments

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to the Disbursing Agent by the holder of the Allowed Claim to whom such check was originally issued. Any Claim in respect of such a voided check shall be made within thirty (30) days after the date upon which such check was deemed void. If no request is made as provided in the preceding sentence, any Claims in respect of such voided check shall be discharged and forever barred and such unclaimed Plan Distribution shall revert to the Debtor.

6. Manner of Payment under the Plan

Unless the Person receiving a Plan Distribution agrees otherwise, any Plan Distribution to be made in Cash under the Plan shall be made, at the election of the Disbursing Agent, by check

drawn on a domestic bank or by wire transfer from a domestic bank. Cash payments to foreign creditors may, in addition to the foregoing, be made at the option of the Disbursing Agent in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

7. Fractional Plan Distributions

Notwithstanding anything to the contrary contained herein, no Plan Distributions of fractions of dollars (whether in Cash or notes) will be made. Fractions of dollars (whether in Cash or notes) shall be rounded to the nearest whole unit (with any amount equal to or less than one-half dollar to be rounded down).

8. Surrender and Cancellation of Instruments

As a condition to receiving any Plan Distribution, on or before the Plan Distribution Date, the holder of an Allowed Claim evidenced by a certificate, instrument or note other than any such certificate, instrument or note that is being reinstated or being left unimpaired under the Plan, shall (a) surrender such certificate, instrument or note representing such Claim, except to the extent assumed by the Debtor; and (b) execute and deliver such other documents as may be necessary to effectuate the Plan. Such certificate, instrument or note shall thereafter be cancelled and extinguished. The Disbursing Agent shall have the right to withhold any Plan Distribution to be made to or on behalf of any holder of such Claims unless and until (1) such certificates, instruments or notes are surrendered; or (2) any relevant holder provides to the Disbursing Agent an affidavit of loss or such other documents as may be required by the Disbursing Agent together with an appropriate indemnity in the customary form. Any such holder who fails to surrender such certificates, instruments or notes or otherwise fails to deliver an affidavit of loss and indemnity prior to the second anniversary of the Effective Date, shall be deemed to have forfeited its Claims and shall not participate in any Plan Distribution. All property in respect of such forfeited Claims shall revert to the Debtor.

H. Procedures for Resolving and Treating Contested Claims

1. Certain Claims Resolved Pursuant to Special Procedures

All Trust Personal Injury Claims shall be resolved as provided in Sections 7.2 and 7.3 of the Plan and not pursuant to the procedures set forth in Article X of the Plan. All Other Personal Injury Claims shall be liquidated as set forth in Section 7.4 of the Plan and not pursuant to the procedures set forth in Article X of the Plan. All Non-QHR Reimbursement, Contribution and Indemnity Claims shall be liquidated as provided in Section 7.2 of the Plan and not pursuant to the procedures set forth in Article X of the Plan. Accordingly, this Section H does not apply to holders of such Claims. All other Claims shall be subject to the procedures set forth in Article X of the Plan and will be governed by the provisions described below.

2. Objection Deadline

The Disbursing Agent shall file objections to Claims, if any, with the Bankruptcy Court as soon as practicable, but not later than (a) the date that is one hundred and eighty (180) days after the Effective Date; or (b) such later date as may be established by order of the Bankruptcy

Court upon motion of the Disbursing Agent without notice or a hearing. The Disbursing Agent shall serve any objection to a Claim upon the holder of the Claim to which the Debtor objects.

The Disbursing Agent shall file motions to value collateral pursuant to section 506(a) of the Bankruptcy Code and Bankruptcy Rule 3012, if any, with the Bankruptcy Court as soon as practicable, but not later than (a) the date that is one hundred and eighty (180) days after the Effective Date; or (b) such later date as may be established by order of the Bankruptcy Court upon motion of the Disbursing Agent without notice or a hearing.

3. Prosecution of Contested Claims

The Debtor, in its capacity as Disbursing Agent, may object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted as provided herein shall be litigated to Final Order or compromised and settled in accordance with Section 10.4 of the Plan.

4. Claims Settlement

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, the Debtor, in its capacity as Disbursing Agent, shall have authority to settle or compromise all Claims and Causes of Action without further review or approval of the Bankruptcy Court.

5. Entitlement to Plan Distributions upon Allowances

Notwithstanding any other provision of the Plan, no Plan Distribution shall be made with respect to any Claim to the extent it is a Contested Claim, unless and until such Contested Claim becomes an Allowed Claim. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when) the holder of such Allowed Claim shall thereupon become entitled to receive the Plan Distributions in respect of such Claim, the same as though such Claim had been an Allowed Claim on the Effective Date.

6. Estimations of Claims

The Disbursing Agent may, at any time, request that the Bankruptcy Court estimate any Contested Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Disbursing Agent has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event the Bankruptcy Court estimates a Contested Claim, that estimated amount will constitute the Allowed amount of such Claim for all purposes under the Plan. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court. In the interest of clarity, this provision shall not apply to Trust Personal Injury Claims or Other Personal Injury Claims.

I. Conditions Precedent to Confirmation of the Plan and the Occurrence of the Effective Date

1. Conditions Precedent to Confirmation of the Plan

The following are conditions precedent to confirmation of the Plan:

(a) The clerk of the Bankruptcy Court shall have entered an order or orders (i) approving the Disclosure Statement as containing “adequate information” pursuant to section 1125 of the Bankruptcy Code; (ii) authorizing the solicitation of votes with respect to the Plan; (iii) determining that all votes are binding and have been properly tabulated as acceptances or rejections of the Plan; (iv) confirming and giving effect to the terms and provisions of the Plan; (v) determining that all applicable tests, standards and burdens in connection with the Plan have been duly satisfied and met by the Debtor and the Plan; (vi) approving the Plan Documents; and (viii) authorizing the Debtor to execute, enter into, and deliver the Plan Documents and to execute, implement, and to take all actions otherwise necessary or appropriate to give effect to, the transactions and transfer of Assets contemplated by the Plan and the Plan Documents;

(b) The Confirmation Order, the Plan Documents and the Plan are each in a form satisfactory to the Debtor, QHR, Nautilus, and the United Tort Claimants; and

(c) Without limiting anything in the above subsection (b), the Confirmation Order approves the Global Settlement and contains the findings set forth in Section 7.5 of the Plan.

2. Conditions Precedent to the Occurrence of the Effective Date

The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Order shall have been entered by the clerk of the Bankruptcy Court, be in full force and effect and not be subject to any stay or injunction;

(b) The Debtor shall have executed the Personal Injury Trust Note;

(c) All necessary consents, authorizations and approvals shall have been given for the transfers of property and the payments provided for or contemplated by the Plan, including, without limitation, satisfaction or waiver of all conditions to the obligations of the Debtor under the Plan and the Plan Documents;

(e) All conditions to the effectiveness of the Global Settlement, other than the occurrence of the Effective Date, shall have been satisfied or waived; and

(f) The Personal Injury Trust Declaration shall have become effective.

3. Waiver of Conditions Precedent

The Debtor, QHR, Nautilus, and the United Tort Claimants may, collectively, waive any one or more of the conditions set forth in Sections 11.1 or 11.2 of the Plan in a writing executed by each of them without notice or order of the Bankruptcy Court and without notice to any parties in interest.

4. Effect of Non-Occurrence of the Effective Date

If the Effective Date shall not occur, the Plan shall be null and void and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against the Debtor; (b) prejudice in any manner the rights of the Debtor, including, without limitation, any right to seek a further extension of the exclusivity periods under section 1121(d) of the Bankruptcy Code; or (c) constitute an admission, acknowledgement, offer or undertaking by the Debtor.

J. Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all executory contracts and unexpired leases of the Debtor shall be assumed pursuant to the provisions of section 365 of the Bankruptcy Code, except: (i) any executory contracts and unexpired leases that are the subject of separate motions to reject, assume, or assume and assign filed pursuant to section 365 of the Bankruptcy Code by the Debtor before the Effective Date; (ii) each contract and lease listed in the Schedule of Rejected Executory Contracts and Unexpired Leases; (iii) all other executory contracts and unexpired leases rejected under the Plan or by order of the Bankruptcy Court entered before the Effective Date; (iv) any executory contract or unexpired lease that is the subject of a dispute over the amount or manner of cure pursuant to Section 12.2 of the Plan and for which the Debtor makes a motion to reject such contract or lease based upon the existence of such dispute filed at any time; and (v) any agreement, obligation, security interest, transaction or similar undertaking that the Debtor believes is not executory. The Debtor shall file the Schedule of Assumed Executory Contracts and Unexpired Leases. The Debtor shall use commercially reasonable efforts to identify all executory contracts and unexpired leases subject to assumption in the Schedule of Assumed Executory Contracts and Unexpired Leases. If an executory contract or unexpired lease is omitted from the Schedule of Assumed Executory Contracts and Unexpired Leases (an “Omitted Assumed Contract”) and is not included in the Schedule of Rejected Executory Contracts and Unexpired Leases, such executory contract or unexpired lease shall, nonetheless be deemed assumed pursuant to the terms of Article XII of the Plan.

Any non-Debtor counterparty to an agreement not listed on the Schedule of Rejected Executory Contracts or Unexpired Leases that disputes (i) the amount of any cure payments; (ii) the Debtor’s ability to provide adequate assurance of future performance; or (iii) any other matter pertaining to the assumption or assignment of such agreement must file with the Bankruptcy Court, and serve upon the Debtor, a written objection (an “Assumption Objection”), which objection shall set forth the basis for the dispute by no later than ten (10) Business Days prior to the Confirmation Hearing. If a non-Debtor counterparty fails to file and serve an Assumption Objection, the non-Debtor counterparty shall be deemed to have waived any and all objections to the assumption of the relevant agreement as proposed by the Debtor, including the lack of any cure obligations. Notwithstanding any of the forgoing, if an assumed executory contract or unexpired lease constitutes an Omitted Assumed Contract at any time after the commencement of the Confirmation Hearing, the Debtor shall, promptly upon the discovery of such Omitted Assumed Contract, provide written notice of such Omitted Assumed Contract to the non-Debtor counterparty identifying the Omitted Assumed Contract and detailing the proposed cure amount. Thereafter, such non-Debtor counterparty shall have twenty (20) days from the issuance of such

notice to object to the assumption of such Omitted Assumed Contract or the proposed cure amount. Any objections that are not resolved by agreement shall be resolved by the Bankruptcy Court. If you believe that you are a party to an Omitted Assumed Contract, you should immediately advise the Debtor of your position so that the matter may be resolved in a timely fashion.

Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of the assumption of executory contracts and unexpired leases as set forth in Section 12.1(a) of the Plan pursuant to sections 365(a) and (b) of the Bankruptcy Code without further order of the Bankruptcy Court.

The Debtor estimates that it will owe approximately \$3.31 million in cure payments, after deductions for security deposits paid to secure the postpetition provision of goods and/or services. The Debtor will fund all cure payments from its existing Cash and the proceeds of the Exit Financing.

The Plan shall constitute a motion to reject such executory contracts and unexpired leases set forth in the Schedule of Rejected Executory Contracts and Unexpired Leases, and the Debtor shall have no liability thereunder except as is specifically provided in the Plan. The Debtor reserves the right to amend the Schedule of Rejected Executory Contracts and Unexpired Leases on or prior to the Confirmation Date to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) and unexpired lease(s) shall be deemed to be, respectively, assumed or rejected by the Debtor pursuant to Article XII of the Plan. The listing of a document on the Schedule of Rejected Executory Contracts and Unexpired Leases shall not constitute an admission by the Debtor that such document is an executory contract or that the Debtor has any liability thereunder. Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of rejections under Section 12.1 of the Plan pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected agreement, executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interests of the Debtor and its Estate.

Inclusion of a contract, lease or other agreement on the Schedule of Rejected Executory Contracts and Unexpired Leases shall constitute adequate and sufficient notice that (i) any Claims arising thereunder or related thereto shall be treated as Unsecured Claims under the Plan; and (ii) the Debtor is no longer bound by, or otherwise obligated to perform, any such obligations, transactions, or undertakings relating thereto or arising thereunder.

Except with respect to the addition of an Omitted Assumed Contract, the Schedule of Assumed Contracts and Unexpired Leases and Schedule of Rejected Contracts and Unexpired Leases may only be amended on or before the tenth (10th) Business Day prior to the Voting Deadline. Notice of any such amendment to the affected non-Debtor counterparty shall be provided at the time such amendment is made and such non-Debtor counterparty shall have until the Voting Deadline to object to such amendment.

2. Cure

Any monetary defaults under each executory contract and unexpired lease to be assumed under the Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code: (a) by payment of the cure amount listed on the Schedule of Assumed Executory Contracts and Unexpired Leases in Cash on the Effective Date; or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event a non-Debtor counterparty files an Assumption Objection, the cure payments required by section 365(b)(1) of the Bankruptcy Code to such non-Debtor counterparty shall be made following the entry of a Final Order resolving the dispute and approving assumption or assignment, as applicable. The Debtor reserves the right to reject any executory contract or unexpired lease that is the subject of an Assumption Objection.

3. QHR Management Contract

Notwithstanding anything else set forth in the Plan, on the Effective Date, the Debtor shall assume the QHR Management Contract pursuant to section 365(a) of the Bankruptcy Code. The Debtor shall not be required to pay any cure amounts in respect of such assumption and the Debtor and QHR agree that the releases set forth in Sections 14.16(c) and 14.17 of the Plan shall release any claims held by either the Debtor or QHR against the other party based on any actions or events occurring or failing to occur on or before the Effective Date, but shall not affect the obligations of the Debtor or QHR under or related to the QHR Management Contract first occurring after the Effective Date and not relating to any action or inaction occurring on or before the Effective Date. In the interests of clarity, any obligations or claims relating to the Trust Personal Injury Claims shall be deemed to have arisen on or before the Effective Date and the Debtor shall not assume any such obligations or claims under any circumstances.

4. Collective Bargaining Agreement

The Debtor has a Collective Bargaining Agreement that covers all full-time and regular part-time registered nurses. Under the Plan, the Debtor will assume its Collective Bargaining Agreement on the Effective Date.

5. Claims Arising from Rejection, Expiration or Termination

Claims created by the rejection of executory contracts and unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Debtor: (a) in the case of an executory contract or unexpired lease rejected by the Debtor prior to the Confirmation Date, in accordance with the order rejecting such executory contract or unexpired lease; or (b) in the case of an executory contract or unexpired lease that (i) was terminated or expired by its terms prior to the Confirmation Date; or (ii) is rejected pursuant to Article XII of the Plan, no later than thirty (30) days after the Confirmation Date. Any such Claims for which a proof of claim is not filed and served by the deadlines set forth in the Bar Date Notice or Section 12.5 of the Plan, as applicable, will be forever barred from assertion and shall not be enforceable against the Debtor or its Estate. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as Unsecured Claims under the Plan subject to objection by the Disbursing Agent.

K. Retention of Jurisdiction

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall retain and shall have exclusive jurisdiction over any matter (a) arising under the Bankruptcy Code; or (b) arising in or related to the Chapter 11 Case or the Plan, including, without limitation, the following:

(a) To hear and determine any and all motions or applications pending on the Confirmation Date or thereafter brought in accordance with Article XII of the Plan for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear and determine any and all Claims and any related disputes (including, without limitation, the exercise or enforcement of setoff or recoupment rights, or rights against any third party or the property of any third party resulting therefrom or from the expiration, termination or liquidation of any executory contract or unexpired lease);

(b) To determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Disbursing Agent, the Personal Injury Trustee or the Debtor, as applicable, after the Effective Date;

(c) Except as provided for in the Plan, to hear and determine any objections to the Allowance of Claims, whether filed, asserted, or made before or after the Effective Date, including, without express or implied limitation, to hear and determine any objections to the classification of any Claim and to allow, disallow or estimate any Contested Claim in whole or in part;

(d) To issue such orders in aid of execution of the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

(e) To consider any modifications of the Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(f) To hear and determine all Fee Applications and applications for allowances of compensation and reimbursement of any other fees and expenses authorized to be paid or reimbursed under the Plan or the Bankruptcy Code;

(g) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Plan, the, the Global Settlement (to the extent such controversies, suits and disputes involve the Debtor) or their interpretation, implementation, enforcement, or consummation;

(h) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Confirmation Order (and all exhibits to the Plan) or its interpretation, implementation, enforcement, or consummation;

(i) To the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim or Cause of Action by, on behalf of, or against the Estate;

(j) To determine such other matters that may be set forth in the Plan, or the Confirmation Order, or that may arise in connection with the Plan, or the Confirmation Order;

(k) To hear and determine matters concerning state, local, and federal taxes, fines, penalties, or additions to taxes for which the Debtor, the Debtor in Possession, Personal Injury Trustee or the Disbursing Agent may be liable, directly or indirectly, in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(l) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with any setoff and/or recoupment rights of the Debtor or any Person under the Plan;

(m) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with Causes of Action of the Debtor (including Avoidance Actions and Transferred Causes of Action) commenced by the Disbursing Agent, the Personal Injury Trustee, the Debtor or any third parties, as applicable, before or after the Effective Date;

(n) To enter an order or final decree closing the Chapter 11 Case;

(o) To issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation or enforcement of the Plan or the Confirmation Order; and

(p) To hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code.

L. Failure of the Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Case, including the matters set forth in Section 13.1 of the Plan, the provisions of Article XIII of the Plan shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

M. Other Material Provisions of the Plan

1. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtor on or before the Effective Date.

2. Satisfaction of Claims

The rights afforded in the Plan and the treatment of all Claims herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature whatsoever against the Debtor, the Estate, the Debtor in Possession or any of their Assets. Except as otherwise provided herein, on the Effective Date, all Claims against the Debtor and the Debtor in Possession shall be satisfied, discharged, and released in full. Except as otherwise provided herein, all Persons shall be precluded and forever barred from asserting against the Debtor, the Estate and its Assets any event, occurrence, condition, thing, or other or further Claims or Causes of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefore were known or existed prior to the Effective Date.

3. Exculpation

None of the Debtor, the Creditors' Committee, the United Tort Claimants, the Personal Injury Claims Committee, the QHR Entities or Nautilus or their respective members (in their capacity as such), or any of their respective officers, directors, members, employees, agents, representatives, advisors, attorneys or successors and assigns will have or incur any liability to any Person for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan, or the implementation or administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence as finally determined by the Bankruptcy Court, and, in all respects shall be entitled to rely upon the advice of counsel and all information provided by other exculpated persons herein without any duty to investigate the veracity or accuracy of such information with respect to their duties and responsibilities under the Plan.

4. Discharge of Liabilities

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, the Debtor shall be discharged from all Claims and Causes of Action to the fullest extent permitted by section 1141 of the Bankruptcy Code, and all holders of Claims shall be precluded from asserting against the Debtor, its Assets, or any property dealt with under the Plan, any further or other Cause of Action based upon any act or omission, transaction, event, thing, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date.

5. Discharge of Debtor

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, without further notice or order, all Claims of any nature whatsoever shall be automatically discharged forever. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Debtor and its Estate shall be deemed fully discharged and released from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (b) a Claim based upon such debt is allowed

under section 502 of the Bankruptcy Code; or (c) the holder of a Claim based upon such debt has accepted the Plan. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor and its Estate. As provided in section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Debtor and its Estate to the extent it relates to a discharged Claim, and operates as an injunction against the prosecution of any action against the Debtor, its Estate or its Assets to the extent it relates to a discharged Claim.

6. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), the laws of the State of New Mexico, without giving effect to the conflicts of laws principles thereof, shall govern the construction of the Plan and any agreements, documents, and instruments executed in connection with the Plan, except as otherwise expressly provided in such instruments, agreements or documents.

7. Expedited Determination

The Disbursing Agent is hereby authorized to file a request for expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed with respect to the Debtor.

8. Exemption from Transfer Taxes

Pursuant to section 1146 of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, lien, pledge or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

9. Notice of Entry of Confirmation Order and Relevant Dates

Promptly upon entry of the Confirmation Order, the Debtor shall publish as directed by the Bankruptcy Court and serve on all known parties in interest and holders of Claims, notice of the entry of the Confirmation Order and all relevant deadlines and dates under the Plan, including, but not limited to, the deadline for filing notice of Administrative Claims, and the deadline for filing rejection damage Claims.

10. Interest and Attorneys' Fees

Interest accrued after the Petition Date will accrue and be paid on Claims only to the extent specifically provided for in the Plan, the Confirmation Order or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as set forth in the Plan or as ordered by the Bankruptcy Court.

11. Modification of the Plan

As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Debtor at any time before confirmation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with section 1125 of the Bankruptcy Code. The Debtor may modify the Plan at any time after confirmation and before substantial consummation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

12. Setoff Rights

In the event that the Debtor has a Claim of any nature whatsoever against the holder of a Claim against the Debtor, then the Debtor may, but is not required to, set off against the Claim (and any payments or other Plan Distributions to be made in respect of such Claim hereunder) against the Debtor's claim against such holder, subject to the provisions of sections 553, 556 and 560 of the Bankruptcy Code. Neither the failure to set off nor the Allowance of any Claim under the Plan shall constitute a waiver or release of any Claims that the Debtor may have against the holder of any Claim.

13. Compliance with Tax Requirements

In connection with the Plan, the Debtor and the Disbursing Agent, as applicable, shall comply with all withholding and reporting requirements imposed by federal, state, local, and foreign taxing authorities and all Plan Distributions hereunder shall be subject to such withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a Plan Distribution shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any government unit, including income, withholding and other tax obligations, on account of such Plan Distribution. The Disbursing Agent has the right, but not the obligation, to not make a Plan Distribution until such holder has made arrangements satisfactory to the Disbursing Agent for payment of any such tax obligations.

14. Dissolution of the Creditors' Committee

Upon the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon its members, professionals, and agents shall be released from any further duties and responsibilities in the Chapter 11 Case and under the Bankruptcy Code, except with respect to (a) Fee Applications for Fee Claims or reimbursement of expenses incurred as a member of the Creditors' Committee, and (b) any motions or other actions seeking enforcement or implementation of the provisions of the Plan or Confirmation Order or pending appeals of orders entered in the Chapter 11 Case.

15. Releases by the Debtor

As of the Effective Date, for good and valuable consideration, the Debtor in its individual capacity and as Debtor in Possession will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtor or its Estate against (i) the Debtor's present and former officers and directors and any of its employees; and (ii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of the Debtor; provided that nothing in Section 14.16 of the Plan shall be construed to release any party or entity from (A) willful misconduct or gross negligence as determined by a Final Order; or (B) any Transferred Causes of Action, each of which is preserved as otherwise set forth in the Plan.

As of the Effective Date, for good and valuable consideration, the Debtor in its individual capacity and as Debtor in Possession will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, the Plan, the Disclosure Statement, or the Letter of Credit Documents and that could have been asserted by or on behalf of the Debtor or its Estate against the Letter of Credit Lender, including, but not limited to, all Avoidance Actions against such Letter of Credit Lender; except, that if the Letter of Credit Lender and the Debtor agree to an alternative treatment pursuant to Section 4.1(b)(ii) of the Plan, the release described in this paragraph shall not affect the parties' contractual obligations in connection with such alternative treatment.

As of the Effective Date, for good and valuable consideration, the Debtor in its individual capacity and as Debtor in Possession will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the QHR Management Contract, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of the Debtor or its Estate against (a) any QHR Entity, (b) any holder of a Trust Personal Injury Claim and (c) Nautilus, except, that (i) the Debtor shall have the rights set forth in Section 12.3 of the Plan with respect to the QHR Management Contract and (ii) nothing in this Section 14.16 of the Plan shall relieve any QHR Entity, holder of a Trust Personal Injury Claim or Nautilus from its obligations under the Plan or the Global Settlement Documentation.

16. Releases by QHR

As of the Effective Date, for good and valuable consideration, each QHR Entity and each of its officers, directors, agents and attorneys will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the QHR Management Contract, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of each such QHR Entity against (a) the Debtor or its Estate, including, without limitation, all QHR Reimbursement, Contribution and Indemnity Claims, (b) any holder of a Trust Personal Injury Claim and (c) Nautilus except, that (i) QHR shall have the rights set forth in Section 12.3 of the Plan with respect to the QHR Management Contract and (ii) nothing in this Section 14.17 of the Plan shall relieve the Debtor and its Estate, any holder of a Trust Personal Injury Claim or Nautilus from its obligations under the Plan or the Global Settlement Documentation.

17. Voluntary Releases by the Holders of Trust Personal Injury Claims

As of the Effective Date and pursuant to the Global Settlement, for good and valuable consideration, including, without limitation, the treatment of the Trust Personal Injury Claims set forth herein, each holder of a Trust Personal Injury Claim and each of his or her agents and attorneys will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the QHR Management Contract, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of each such holder of a Trust Personal Injury Claim against (a) the Debtor or its Estate, (b) any QHR Entity, (c) Nautilus and (d) Dr. Schlicht, except, that, nothing in this Section 14.18 shall relieve the Debtor, its Estate, any QHR Entity or Nautilus from any of their respective obligations under the Plan or the Global Settlement Documentation, except, further, that the release of QHR set forth herein shall only release the Claims of such holder of Trust Personal Injury Claims against QHR in excess of QHR's insurance coverage.

18. Releases by Nautilus

As of the Effective Date, for good and valuable consideration, pursuant to the Global Settlement, Nautilus and each of its officers, directors, agents and attorneys will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the

Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the Rescission Action, the Coverage Action, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of Nautilus against (a) the Debtor or its Estate, (b) any holder of a Trust Personal Injury Claim and (c) any QHR Entity except, that nothing in this Section 14.19 of the Plan shall relieve the Debtor and its Estate, any holder of a Trust Personal Injury Claim or any QHR Entity from its obligations under the Plan or the Global Settlement Documentation.

19. Injunctions

On the Effective Date and except as otherwise provided in the Plan, all Persons who have been, are, or may be holders of Claims against the Debtor shall be permanently enjoined from taking any of the following actions against or affecting the Debtor, the Estate, the Assets or the Disbursing Agent, or any of their current or former respective members, directors, managers, officers, employees, agents, and professionals, successors and assigns or their respective assets and property with respect to such Claims (other than actions brought to enforce any rights or obligations under the Plan):

- **commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);**
- **enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;**
- **creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and**
- **asserting any setoff, right of subrogation or recoupment of any kind; provided, that any defenses, offsets or counterclaims which the Debtor may have or assert in respect of the above referenced Claims are fully preserved in accordance with the preservation of the Debtor's right of setoff set forth in the Plan.**

20. Certain Administrative Matters

The Debtor shall be entitled to close the Chapter 11 Case prior to the full administration and dissolution of the Personal Injury Trust; except, that the Chapter 11 Case shall be re-opened, upon the request of the Personal Injury Claims Committee or any holder of a Trust Personal Injury Claim, in the event of a dispute concerning the meaning or administration of the Personal Injury Trust. After the Chapter 11 Case has been closed, nothing in the Plan, including, without limitation, Section 14.21 of the Plan, shall prevent the Personal Injury Claims Committee or a holder of a Trust Personal Injury Claim from adjudicating any such disputes in any court of competent jurisdiction.

21. Binding Effect

The Plan shall be binding upon the Debtor, the holders of all Claims and all parties in interest and their respective successors and assigns. To the extent any provision of the Disclosure Statement or any other solicitation document may be inconsistent with the terms of the Plan, the terms of the Plan shall be binding and conclusive.

22. Severability

IN THE EVENT THE BANKRUPTCY COURT DETERMINES THAT ANY PROVISION OF THE PLAN IS UNENFORCEABLE EITHER ON ITS FACE OR AS APPLIED TO ANY CLAIM OR TRANSACTION, THE DEBTOR MAY MODIFY THE PLAN IN ACCORDANCE WITH SECTION 14.13 OF THE PLAN SO THAT SUCH PROVISION SHALL NOT BE APPLICABLE TO THE HOLDER OF ANY SUCH CLAIM OR TRANSACTION. SUCH A DETERMINATION OF UNENFORCEABILITY SHALL NOT (A) LIMIT OR AFFECT THE ENFORCEABILITY AND OPERATIVE EFFECT OF ANY OTHER PROVISION OF THE PLAN; OR (B) REQUIRE THE RESOLICITATION OF ANY ACCEPTANCE OR REJECTION OF THE PLAN.

23. No Admissions

Neither the filing of the Plan nor the taking by the Debtor of any action with respect to the Plan nor any statement nor provision contained therein shall be or be deemed to be an admission by any such party against interest, or be or be deemed to be a waiver of any rights, claims or remedies that such parties may have, and all such rights and remedies are and shall be specifically reserved. In the event the Plan is not confirmed and the Confirmation Order is not entered, the Plan, this Disclosure Statement, and the Plan Documents, and any statement contained therein or herein, may not be used by any Person, party, or entity against the Debtor.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER CAUSES OF ACTION OR THREATENED CAUSES OF ACTION, THE PLAN SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THE PLAN SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, AND OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTOR AND DEBTOR IN POSSESSION IN THIS CHAPTER 11 CASE.

24. Plan Controls

Unless otherwise specified, all section, article, and exhibit references in the Plan are to the respective section in, article of, or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. Words denoting singular number shall include the plural number and vice-versa, and words denoting one gender shall include the other gender both in the Plan and the Disclosure Statement. The Disclosure Statement may be reformed for the purposes of interpretation to the extent any term or provision of the Plan is determined by the Bankruptcy Court to be ambiguous.

IX.

PLAN FEASIBILITY AND OTHER FINANCIAL INFORMATION

The Bankruptcy Code conditions confirmation of a plan of reorganization on, among other things, a finding that it is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. For purposes of determining whether the Plan satisfies this condition, the Debtor has analyzed its capacity to service its obligations under the Plan. Based upon the foregoing analysis, the Debtor believes that it will be able to meet all of its obligations as imposed by the Plan and that, therefore, the Plan is “feasible.”

The Debtor has prepared the projections for the Debtor, through fiscal year 2015 that support its contention that the Plan is feasible. Such projections show that the Debtor can satisfy all of its obligations under the Plan, maintain adequate cash reserves and continue to run its business in the ordinary course. The projections are attached to this Disclosure Statement as Exhibit C.

The projections should be read in conjunction with the assumptions, qualifications, and footnotes to the tables containing the projections as well as Article XII of this Disclosure Statement. The projections show that the Debtor has a reasonable probability of being able to satisfy all of its obligations under the Plan.

In addition, the Debtor has attached as Exhibit D its unaudited financial statements as of May 31, 2012, demonstrating that the Debtor will be solvent and viable upon its emergence from chapter 11.

THE PROJECTIONS ARE PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING “ADEQUATE INFORMATION” UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF SECURITIES OF, OR CLAIMS IN THE DEBTOR.

THE ASSUMPTIONS AND RESULTANT PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE PROJECTIONS HAVE BEEN PREPARED BY THE DEBTOR’S MANAGEMENT AND PROFESSIONALS. THESE PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED OR MAY BE UNDERSTATED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTOR’S CONTROL. THE DEBTOR CAUTIONS THAT NO ASSURANCES CAN BE MADE AS TO THE ACCURACY OF THE ASSUMPTIONS AND RESULTANT PROJECTIONS OR THE ABILITY OF THE DEBTOR TO ACHIEVE THE

PROJECTED RESULTS FOLLOWING THE EFFECTIVE DATE. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS NOR IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THE DEBTOR'S INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE DEBTOR DOES NOT, AS A MATTER OF COURSE, PUBLISH ITS BUSINESS PLANS AND STRATEGIES OR PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. ACCORDINGLY, THE DEBTOR DOES NOT INTEND, AND DISCLAIMS ANY OBLIGATION, TO: (1) FURNISH UPDATED BUSINESS PLANS OR PROJECTIONS TO HOLDERS OF CLAIMS PRIOR TO THE EFFECTIVE DATE OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE OR (2) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE. HOWEVER, FROM TIME TO TIME, THE DEBTOR MAY PREPARE UPDATED PROJECTIONS IN CONNECTION WITH PURSUING FINANCING (INCLUDING EXIT FINANCING), CREDIT RATINGS AND OTHER PURPOSES. SUCH PROJECTIONS MAY DIFFER MATERIALLY FROM THE PROJECTIONS PRESENTED HEREIN.

X.

CONFIRMATION AND CONSUMMATION PROCEDURES

A. Overview

A plan of reorganization may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. In either event, upon confirmation of a plan, it becomes binding on the debtor and all of its creditors and equity holders, and the obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. Before soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. **This Disclosure Statement is presented to holders of Claims against the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Debtor's solicitation of votes on the Plan.**

If all classes of claims accept a plan of reorganization, a bankruptcy court may confirm the plan if such bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. Section 1129(a) sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the “best interests of creditors” test and be “feasible.” The “best interests of creditors” test generally requires that the value of the consideration to be distributed to the holders of claims under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the “feasibility” requirement, a bankruptcy court generally must find that there is a reasonable probability that a debtor will be able to meet its obligations under its plan without the need for further financial reorganization. **The Debtor believes that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the best interests of creditors’ test and the feasibility requirement.**

The Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan of reorganization for the bankruptcy court to determine that the class has accepted a plan. Rather, a class of creditors will be determined to have accepted the plan if the bankruptcy court determines that the plan has been accepted by a majority in number and two-thirds in amount of those claims entitled to vote and actually voting in such class.

In addition, classes of claims that are not “impaired” under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims in an impaired class. A class is “impaired” under a plan if the legal, equitable, or contractual rights associated with the claims of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity on the effective date of the plan. **Classes 3, 4, 5, 6, 7, and 8 are impaired under the Plan. Accordingly, only holders of Claims in Classes 3, 4, 5, 6, 7, and 8 are entitled to vote on the Plan.**

B. Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the conditions to confirmation under section 1129 of the Bankruptcy Code are satisfied.

Such conditions include the following:

- (a) The Plan complies with the applicable provisions of the Bankruptcy Code.
- (b) The Debtor has complied with the applicable provisions of the Bankruptcy Code.
- (c) The Plan has been proposed in good faith and not by any means proscribed by law.
- (d) Any payment made or promised by the Debtor or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with,

the Debtor's Chapter 11 Case, or in connection with the Plan and incident to the Debtor's Chapter 11 Case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

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

(f) The impaired classes of Claims under the Plan, Classes 3, 4, 5, 6, 7, and 8 have accepted the Plan and each holder of an Allowed Unsecured Claim has either accepted the Plan or will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain on account of such Claim if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code.

(g) Each class of Claims has either accepted the Plan or is not impaired under the Plan.

(h) Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims and Priority Claims, including Tax Claims, will be paid in full, in Cash, on the later to occur of (i) the Effective Date (or as soon as reasonably practicable thereafter) and (ii) the date on which such Claim becomes an Allowed Claim.

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

(j) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any other successor to the Debtor under the Plan, except to the extent proposed in the Plan.

(k) All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

The Debtor believes that the Plan will satisfy all the statutory provisions of chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the provisions of the Bankruptcy Code, and that the Plan is being proposed and submitted to the Bankruptcy Court in good faith.

1. Acceptance

A class of Claims will have accepted the Plan if the Plan is accepted, with reference to a class of Claims, by at least two-thirds in amount and more than one-half in number of the Claims entitled to vote that actually vote in such class.

2. Best Interests of Creditors Test

With respect to each impaired class of holders of Claims, confirmation of the Plan requires that each such holder either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the applicable consummation date under the Plan, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

To determine what holders of Allowed Claims in Classes 3, 4, 5, 6, 7, and 8, the classes of impaired Claims under the Plan, would receive or retain if the Debtor were liquidated, the Bankruptcy Court must determine the proceeds that would be generated from the liquidation of the properties and interests in property of the Debtor in a chapter 7 liquidation case. The proceeds that would be available for satisfaction of Allowed Unsecured Claims against the Debtor would consist of the proceeds generated by disposition of the unencumbered equity in the properties and interests in property of the Debtor and the Cash held by the Debtor at the time of the commencement of the liquidation case. Such proceeds would be reduced by the costs and expenses of the liquidation and by such additional Administration and Priority Claims that may result from the termination of the business of the Debtor and the use of chapter 7 for the purposes of liquidation. Further, under chapter 7 of the Bankruptcy Code, holders of Allowed Secured Claims against the Debtor would be entitled to all proceeds from the sale of their collateral (net of any costs of sale) or to the return of such collateral, and only the excess value of such collateral after satisfaction in full of such Allowed Secured Claims (including interest on such Allowed Secured Claims from and after the Petition Date until the date of payment) may be available for distribution to the holders of Allowed Unsecured Claims.

The costs of liquidation under chapter 7 of the Bankruptcy Code would include the fees payable to a trustee in bankruptcy, and the fees that would be payable to additional attorneys and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Debtor during its Chapter 11 Case, such as compensation of its attorneys, financial advisors, accountants and costs that are allowed in the chapter 7 case. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and executory contracts entered into or assumed by the Debtor during the pendency of its Chapter 11 Case and potentially under the WARN Act.

The foregoing types of Claims and such other Claims which may arise in the liquidation or result from the Debtor's pending Chapter 11 Case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay Unsecured Claims arising on or before the Petition Date.

To determine if the Plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the properties and interests in property of the Debtor (net of the amounts attributable to the aforesaid Claims) is then compared with the value offered to such classes of Claims under the Plan.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Debtor's Chapter 11 Case, including: (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a

trustee in bankruptcy and professional advisors to such trustee; (b) the erosion in value of Assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the “forced sale” environment in which such a liquidation would likely occur; (c) the adverse effects on the saleability of business segments as a result of the likely departure of key employees and medical providers; and (d) the substantial increases in Claims which would be satisfied on a priority basis or on parity with creditors in the Debtor’s Chapter 11 Case, the Debtor has determined that confirmation of the Plan will provide each holder of a Claim with a greater recovery than it would receive pursuant to liquidation of the Debtor under chapter 7 of the Bankruptcy Code. Among other things, unsecured creditors, including those classified in Class 6 and Class 8 will be paid in full under the Plan but will receive only between 12 and 23 cents on the dollar in a Chapter 7 liquidation assuming that the aggregate amount of Trust Personal Injury Claims does not exceed \$25 million.

The liquidation analysis is attached hereto as Exhibit E and demonstrates that holders of Claims will receive substantially more under the Plan than in a chapter 7 liquidation.

3. Feasibility

See Article IX of this Disclosure Statement.

C. Cramdown

1. No Unfair Discrimination

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

2. Fair and Equitable Test

The Bankruptcy Code establishes different “fair and equitable” tests for classes of secured claims and unsecured claims as follows:

(a) **Secured Claims.** Either (i) each holder of a claim in an impaired class of Secured Claims retains its liens securing its Secured Claim and it receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each holder of a claim in an impaired class of secured claims realizes the indubitable equivalent of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens, with such liens to attach to the proceeds and the treatment of such liens on proceeds as provided in clause (i) or (ii) of this paragraph.

(b) **Unsecured Claims.** Either (i) each holder of a claim in an impaired class of unsecured creditors receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan of reorganization, subject to the applicability of the judicial doctrine of contributing new value.

Class 9 is neither receiving nor retaining property under the Plan; accordingly Class 9 is deemed to have rejected the Plan and the Debtor must and fully intends to cram down such Class. The Debtor believes that Class 9 may be crammed down because it is the most junior Class and, therefore, by definition no Class junior to Class 9 is receiving or retaining any property under the Plan.

The Debtor also believes that the Plan satisfies the test for cramdown for each other class of creditors and will seek to cramdown any such class that rejects the Plan.

D. Effect of Confirmation

Under section 1141 of the Bankruptcy Code, the provisions of a confirmed plan bind the Debtor, any entity acquiring property under the Plan, and any creditor, whether or not the claim or interest of such creditor is impaired under the Plan and whether or not such creditor voted to accept the Plan. Further, after confirmation of the Plan, the property dealt with by the Plan is free and clear of all claims and interests of creditors, except as otherwise provided in the Plan or the Confirmation Order.

XI.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

A. General

The following discussion is a summary of certain U.S. federal income tax consequences expected to result from the implementation of the Plan. The discussion is based on Internal Revenue Code of 1986, as amended, and any applicable rulings, regulations (including temporary and proposed regulations) promulgated thereunder, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or the IRS (the “Internal Revenue Code”), as in effect on the date of this Disclosure Statement, and on United States Treasury Regulations in effect (or in certain cases, proposed) on the date of this Disclosure Statement, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurance that the IRS will not take a contrary view with respect to one or more of the issues discussed below, and no ruling from the IRS has been or will be sought with respect to any issues that may arise under the Plan.

The following summary is for general information only and does not purport to address all of the U.S. federal income tax consequences that may be applicable to any particular holder of an Allowed Claim. The tax treatment of a holder of an Allowed Claim may vary depending upon such holder’s particular situation. The following discussion does not address state, local, or

foreign tax considerations that may be applicable to the Debtor and holders of an Allowed Claim. This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as financial institutional, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, dealers or traders in securities or currencies, tax-exempt entities, persons that have “functional currency” other than the U.S. dollar, persons who acquired a security in the Debtor in connection with the performance of services, or persons who are not United States persons (as defined in the Internal Revenue Code).

EACH HOLDER OF AN ALLOWED CLAIM IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN.

Treasury Department Circular 230 Disclosure

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER UNDER THE INTERNAL REVENUE CODE, (B) ANY SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN, AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. U.S. Federal Income Tax Consequences of Receipt of Plan Consideration to Holders of Allowed Claims

1. General Tax Considerations for Holders of Allowed Claims

The U.S. federal income tax consequences to holders of Allowed Claims arising from the distribution to be made in satisfaction of their Claims pursuant to the Plan may vary, depending upon, among other things: (a) the type of consideration received by the holder of the Claim in exchange for the interest it holds; (b) the nature of the indebtedness owed to it; (c) whether the holder has previously claimed a bad debt or worthless securities deduction in respect to its Claim against the Debtor; (d) whether such Claim constitutes a Security; (e) whether the holder of a Claim is a resident of the United States for tax purposes; (f) whether the holder of a Claim reports income on the accrual or cash basis; and (g) whether the holder of a Claim receives distributions under the Plan in more than one taxable year.

2. Tax Consequences to Certain Holders of Allowed Claims

The following summary describes the material U.S. federal income tax consequences to certain holders of Allowed Claims against the Debtor. A holder’s tax treatment may vary depending upon the holder’s particular situation. **All holders of Allowed Claims against the Debtor are urged to consult their tax advisors concerning federal, state, local, and other tax consequences of the Plan.**

Holders of Allowed Claims will receive Cash under the Plan. If the amount of Cash received is insufficient to pay an Allowed Claim in full, the holder of such Claim may be able to deduct its losses from its income taxes. Your tax advisor will be able to advise you on whether such deductions are appropriate.

If a holder of an Allowed Claim receives the collateral that secures payment of such Allowed Claim or a single cash payment in an amount equal to such Allowed Claim, such holder will recognize gain or loss in an amount equal to the difference between (i) such holder's "amount realized" in respect of its Allowed Claim, which is the amount of cash and/or fair market value of such collateral that is received by such holder in satisfaction of its Allowed Claim (other than amounts that are in respect of any Allowed Claim for accrued but unpaid interest), and (ii) the holder's adjusted tax basis in its Allowed Claim (other than any Claim for accrued but unpaid interest).

3. The Personal Injury Trust

The Personal Injury Trust is a litigation trust and is intended to qualify as a "grantor trust" for federal income tax purposes with the holders of Personal Injury Trust Interests treated as grantors and owners of the Personal Injury Trust, the effect of which is that the Personal Injury Trust itself does not pay taxes and recoveries will not be reduced by any applicable taxes. Beneficiaries of the Personal Injury Trust shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any government unit, including income, withholding and other tax obligations, on account of a distribution under the Personal Injury Trust and should consult their tax advisor. Additionally, beneficiaries of the Personal Injury Trust may be required to provide a W-9 or other similar tax information to be eligible to receive a distribution from the Personal Injury Trust.

XII.

RISK FACTORS

The holder of a Claim against the Debtor should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan.

A. General Considerations

The formulation of a reorganization plan is a principal purpose of a chapter 11 case. The Plan sets forth the means for satisfying the Claims against the Debtor. Reorganization of the Debtor's business and operations under the proposed Plan also avoids the potentially adverse impact of a protracted and costly reorganization or an unfeasible liquidation.

B. Certain Bankruptcy Considerations

The Plan requires the acceptance of a requisite number of holders of impaired Claims that are entitled to vote on the Plan, and the approval of the Bankruptcy Court, as described in the section hereof entitled "Confirmation and Consummation Procedures – Overview." There can

be no assurance that such acceptance and approval will be obtained and therefore, that the Plan will be confirmed.

Furthermore, although the Debtor believes that the Plan will be confirmed and the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to the timing or as to whether the Effective Date will occur. If the Plan is not confirmed or the Effective Date does not occur, there can be no assurance that any alternative plan of reorganization would be on terms as favorable to the holders of Claims as the terms of the Plan. In addition, if a protracted reorganization or liquidation were to occur, there is a substantial risk that holders of Claims would receive less than they would receive under the Plan.

If the Plan is confirmed but the Effective Date does not occur, it may become necessary to amend the Plan to provide for alternative treatment of Claims. There can be no assurance that any such alternative treatment would be on terms as favorable to the holders of Claims and as the treatment provided under the Plan. If any modifications to the Plan are material, it would be necessary to resolicit votes from holders of Claims adversely affected by the modifications with respect to such amended Plan.

C. Inherent Uncertainty of Financial Projections

The projections set forth in Exhibit C hereto cover the Debtor's operations through fiscal year 2015. Such projections establish the feasibility of the Plan. Nevertheless, these projections are based on numerous assumptions, including the timing, confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Debtor, industry performance and regulations, patient census, general business and economic conditions and other matters, many of which are beyond the control of the Debtor and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that this Disclosure Statement is approved by the Bankruptcy Court may affect the actual financial results of the Debtor or the Debtor's operations. These variations may be material and may adversely affect the ability of the Debtor to make payments with respect to post-Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the projections may vary from the projected results, the projections should not be relied upon as a guaranty, representation, or other assurance of the actual results that will occur.

Except with respect to the projections and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Debtor does not intend to update the projections for the purposes hereof; thus, the projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the projections.

D. Exit Financing

The Debtor is attempting to obtain at least \$50 million of Exit Financing. If the Debtor cannot obtain Exit Financing in such amount it may be unable to perform its obligations under the Plan without significant reductions in capital expenditures and other costs. This, in turn, may affect the quality and scope of services and may result in fewer patients and reduced revenue.

E. Conditions Precedent to Effectiveness of the Plan

Before the Plan becomes effective, several conditions precedent must be satisfied. Specifically, before the Plan becomes effective: (a) the clerk of the Bankruptcy Court shall have entered an order or orders (i) approving the Disclosure Statement as containing “adequate information” pursuant to section 1125 of the Bankruptcy Code; (ii) authorizing the solicitation of votes with respect to the Plan; (iii) determining that all votes are binding and have been properly tabulated as acceptances or rejections of the Plan; (iv) confirming and giving effect to the terms and provisions of the Plan; (v) determining that all applicable tests, standards and burdens in connection with the Plan have been duly satisfied and met by the Debtor and the Plan; (vii) approving the Plan Documents; and (viii) authorizing the Debtor to execute, enter into, and deliver the Plan Documents and the Global Settlement and to execute, implement, and to take all actions otherwise necessary or appropriate to give effect to, the transactions and transfer of Assets contemplated by the Plan, the Plan Documents and the Global Settlement; (b) the Confirmation Order, the Plan Documents, the Plan, and the Global Settlement Documentation are each in a form satisfactory to the Debtor, QHR, Nautilus and the United Tort Claimants; and (c) without limiting anything in subsection (b), the Confirmation Order approves the Global Settlement and contains the findings set forth in Section 7.5 of the Plan.

F. Claims Estimations

There can be no assurance that the estimated aggregate Claim amounts set forth herein are correct, and the actual amount of Allowed Claims may differ from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein. If the Claims ultimately Allowed against the Debtor materially exceed the estimated amounts, the Debtor may be unable to perform its obligations under the Plan and may require further restructuring.

G. Risks In Connection With Global Settlement

As part of the Global Settlement, the holders of Trust Personal Injury Claims will not be able to seek further recoveries from QHR’s assets on account of their respective claims against QHR and will be limited to insurance recoveries from QHR’s insurance carriers. If coverage is not available from such carriers for any reason, including, without limitation, that the claims of the holders of Trust Personal Injury Claims against QHR are not claims covered by insurance, the holders of Trust Personal Injury Claims will be unable to obtain any further recoveries on account of their potential claims against QHR.

H. Risks Related to Plan Installment Payments

The Plan provides that certain classes of Claims will receive payments in installments. The payment to the holders such Claims is subject to the ability of the Debtor to generate Cash (whether from operations or Exit Financing) sufficient to fund its payment under the Plan. Although, the Debtor has substantial Cash on hand, its Cash flow is variable. Therefore, the following non-exhaustive list of factors and potential occurrences, many of which are beyond the

Debtor's control, that affect revenue and available Cash may influence the Debtor's ability to fulfill its funding obligations:

- A reduction in Medicare funding by state or federal governments;
- The extent to which Medicare reimbursements for capital costs are sufficient to cover the actual capital-related costs the Debtor incurs allocable to Medicare patients;
- Changes in Medicare risk based coverage plans;
- The occurrence of an audit under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. 108-173), which could result in the withholding of payments to the Debtor or require substantial repayments by the Debtor;
- Any changes in Medicare reimbursements;
- Changes in TRICARE, which is a federally funded healthcare program that serves active duty military personnel, National Guard and Reserve members, retirees, their families, survivors and certain former spouses;
- Changes in the Children's Health Insurance Program, a federally funded insurance program for children whose families are ineligible for Medicaid, but cannot afford commercial health insurance;
- Levels of recovery from managed care organizations;
- Litigation, fines, losses, and administrative enforcement under healthcare fraud and abuse laws;
- Penalties or enforcement under the Emergency Medical Treatment Act, which requires hospitals with emergency rooms to provide appropriate medical screening when a person comes to the hospital;
- Penalties or enforcement under the Health Insurance Portability and Accountability Act of 1996, which prohibits, in any matter involving health benefits, the knowing and willful falsification or concealment of material fact or the making of a materially false fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits;
- The impact of potential healthcare reform legislation, which could change the composition of those enrolled in health plans and potentially result in capacity strains or unanticipated service costs, or alter the reimbursements for the Debtor;
- Growth in excess capacity at the Debtor's facilities;
- Competition with other healthcare providers;

- The Debtor's ability to recruit and retain qualified physicians and staff;
- Penalties or enforcement under antitrust laws;
- Changes in technology and services that may render certain of the Debtor's services obsolete and that may require the Debtor to incur substantial upgrade costs;
- The Debtor's loss of tax exempt status;
- New Mexico reducing Medicaid reimbursement rates or imposing stricter Medicaid eligibility requirements;
- Medical malpractice claims in excess of insurance coverage; and
- Penalties or enforcement under environmental liability laws.

XIII.

CONCLUSION

The Debtor believes that the Plan is in the best interest of all holders of Claims, and urges all holders of impaired Claims against the Debtor to vote to accept the Plan and to evidence such acceptance by returning their ballots in accordance with the instructions accompanying this Disclosure Statement.

Dated: June 20, 2012

Respectfully submitted,

**OTERO COUNTY HOSPITAL
ASSOCIATION, INC. d/b/a Gerald Champion
Regional Medical Center**

By: /s/ Craig H. Averch
Craig H. Averch
Attorney for the Debtor

LIST OF OTHER DEFINED TERMS

Terms in this “List of Other Defined Terms” are defined in the Disclosure Statement on the page number indicated below.⁵

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⁵ Certain terms listed on this List of Other Defined Terms may also appear as defined terms in Exhibit A to the Plan. To the extent there is a conflict between how such terms are defined in the Disclosure Statement and how such terms are defined in the Plan, the Plan shall control.

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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re

OTERO COUNTY HOSPITAL
ASSOCIATION, INC. (d/b/a Gerald
Champion Regional Medical Center; d/b/a
Mountain View Catering)

Debtor.

Case No. 11-11-13686-JA

**THIRD AMENDED CHAPTER 11 PLAN OF REORGANIZATION
FOR OTERO COUNTY HOSPITAL ASSOCIATION, INC.**

Dated: June 20, 2012

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AND DEBTOR IN POSSESSION

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EXHIBITS

Glossary of Defined Terms.....	Exhibit A
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Global Settlement Documentation.	Exhibit C

Otero County Hospital Association, Inc. (the “Debtor”), the debtor in the above-captioned chapter 11 case, hereby proposes the following chapter 11 plan of reorganization:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions.

The capitalized terms used herein shall have the respective meanings set forth in the Glossary of Defined Terms attached hereto as Exhibit A.

1.2 Interpretation.

Unless otherwise specified, all section, article, and exhibit references in the Plan are to the respective section in, article of, or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. Words denoting the singular number shall include the plural number and vice versa, as appropriate, and words denoting one gender shall include the other gender. The Disclosure Statement may be referred to for purposes of interpretation to the extent any term or provision of the Plan is determined by the Bankruptcy Court to be ambiguous.

1.3 Application of Definitions and Rules of Construction Set Forth in the Bankruptcy Code.

Words and terms defined in section 101 of the Bankruptcy Code shall have the same meanings when used in the Plan, unless a different definition is given in the Glossary of Defined Terms. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan.

1.4 Other Terms.

The words “herein,” “hereof,” “hereto,” “hereunder,” and others of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan.

1.5 Appendices and Plan Documents.

All appendices to the Plan and the Plan Documents are incorporated into the Plan by this reference and are a part of the Plan as if set forth in full herein. All Plan Documents shall be filed with the clerk of the Bankruptcy Court not less than ten (10) days prior to the commencement of the Confirmation Hearing. Notwithstanding the foregoing, the Debtor shall, not fewer than ten (10) Business Days prior to the Voting Deadline, (i) file and (ii) cause to be published on the website maintained by Kurtzman Carson Consultants, LLC in connection with the Chapter 11 Case, the following Plan Documents:

- The Personal Injury Trust Declaration;
- A notice identifying the proposed Personal Injury Trustee, including (a) a resume setting forth the qualifications of such proposed Personal Injury Trustee; and (b) a

statement of all connections between the proposed Personal Injury Trustee, on the one hand, and (i) the Trust Personal Injury Claimants (including, without limitation, the United Tort Claimants) (ii) counsel to the United Tort Claimants, (iii) the Debtor, (iv) the members of the proposed Personal Injury Claims Committee, and (v) any insiders of any of the foregoing as defined in section 101(31) of the Bankruptcy Code, on the other hand;

- A notice identifying the Persons proposed as members of the Personal Injury Claims Committee, including each such Person's previous role in the Chapter 11 Case;
- Any document establishing the governance mechanism of the Personal Injury Claims Committee; and
- A description of the proposed mechanism for the valuation and Allowance of the Claims of Sandra J. East (in her individual capacity and as representative of Stanley B. East, deceased), Marlene Pellman, Sharon Degner, and Ray Sanchez, as well as a statement of how the Debtor believes such proposed mechanism will result in such claimants receiving their fair share of the Personal Injury Trust Property; provided, however, that such mechanism shall not be required to disclose any information regarding any specific Claim held by any United Tort Claimant, including, without limitation, information regarding any specific individual valuation or Allowance of such Claims.

Holders of Claims may obtain a copy of the Plan Documents, once filed, by (a) accessing such documents at <http://www.kccllc.net/gcrmc> or (b) mailing or faxing a written request to:

White & Case LLP
633 West 5th Street, Suite 1900
Los Angeles, CA 90071
Attention: Craig H. Averch
Telephone: (213) 620-7700
Facsimile: (213) 452-2329

ARTICLE II

CLASSIFICATION OF CLAIMS

For the purposes of organization, voting and all confirmation matters, except as otherwise provided herein, all Claims against the Debtor shall be classified as set forth in this Article II.

2.1 Administrative Claims and Tax Claims.

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Tax Claims shall not be classified under the Plan, and shall instead be treated separately as unclassified Claims on the terms set forth in Article VI.

2.2 Classification of Claims.

The classes of Claims against the Debtor shall be classified under the Plan as follows:

Class 1 – Priority Claims. Class 1 shall consist of all Priority Claims against the Debtor.

Class 2 – Letter of Credit Claims. Class 2 shall consist of all Letter of Credit Claims against the Debtor.

Class 3 – Secured Claims. Class 3 shall consist of all Secured Claims against the Debtor.

Class 4 – Robins & Morton Claim. Class 4 shall consist of the Robins & Morton Claim against the Debtor.

Class 5 – Trust Personal Injury Claims. Class 5 shall consist of all Trust Personal Injury Claims against the Debtor.

Class 6 – Unsecured Claims. Class 6 shall consist of all Unsecured Claims against the Debtor.

Class 7 – QHR Claims. Class 7 shall consist of all QHR Claims against the Debtor.

Class 8 – Non-QHR Reimbursement, Contribution and Indemnity Claims. Class 8 shall consist of all Non-QHR Reimbursement, Contribution and Indemnity Claims against the Debtor.

Class 9 – Subordinated Claims. Class 9 shall consist of all Subordinated Claims.

2.3 Separate Classification of Secured Claims.

Although Secured Claims against the Debtor have been placed in one category for ease of reference, each Secured Claim shall be treated as a separate class for purposes of voting on the Plan and receiving Plan Distributions. Such classes comprised of individual Secured Claims shall be designated as Class 3A, Class 3B, Class 3C, etc.

ARTICLE III

IDENTIFICATION OF IMPAIRED CLASSES OF CLAIMS

3.1 Unimpaired Classes of Claims.

Class 1 – Priority Claims and Class 2 – Letter of Credit Claims are not impaired under the Plan.

3.2 Impaired Classes of Claims.

Except as provided in Section 3.1, all classes of Claims are impaired under the Plan.

3.3 Impairment Controversies.

If a controversy arises as to whether any Claim or any class of Claims is impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

ARTICLE IV

PROVISIONS FOR TREATMENT OF CLAIMS UNDER THE PLAN

4.1 Treatment of Claims.

The classes of Claims against the Debtor shall be treated under the Plan as follows:

(a) Class 1 – Priority Claims.

Each holder of an Allowed Priority Claim against the Debtor shall receive, on the later to occur of the Effective Date (or as soon as reasonably practicable thereafter) and the date upon which such Claim becomes an Allowed Claim, either (i) Cash in the amount of such holder's Allowed Priority Claim; or (ii) such other treatment as may be agreed upon by the Debtor and such holder; provided, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Priority Claim.

(b) Class 2 – Letter of Credit Claims.

On the Effective Date, all of the Letter of Credit Claims either (i) will be satisfied in full from the proceeds of the Exit Financing as required by the Letter of Credit Documents and other applicable orders of the Bankruptcy Court, and subject to closing procedures that are agreed between the Debtor and the Letter of Credit Lender, or (ii) will be treated in a manner mutually agreeable to the Letter of Credit Lender and the Debtor. In the event that the Letter of Credit Claims are treated as set forth in clause (i) of this Section 4.1(b), upon (and only upon) the payment of all amounts owed to the Letter of Credit Lender and the complete satisfaction of the Letter of Credit Claims as provided in Section 4.1(b)(i), the liens and other encumbrances securing such Letter of Credit Claims will be released pursuant to closing procedures that are agreed between the Debtor and the Letter of Credit Lender. In the event that the Letter of Credit Claims are treated as set forth in clause (ii) of this Section 4.1(b) pursuant to an alternative treatment, the agreement between the Letter of Credit Lender and the Debtor shall be specified in writing and filed with the Court prior to the commencement of the Confirmation Hearing. In the interest of clarity, the Debtor agrees that the Letter of Credit Lender has no obligation to agree to any alternative treatment pursuant to clause (ii) of this Section 4.1(b) and the decision to enter into any such alternative treatment shall be within the Letter of Credit Lender's absolute discretion.

(c) Class 3 – Secured Claims.

Each holder of an Allowed Secured Claim against the Debtor shall receive, on each relevant Plan Distribution Date, in full satisfaction of its Allowed Secured Claim, at the

Debtor's option, either: (i) a single Cash payment equal to the sum of (A) the Allowed Secured Claim; and (B) accrued postpetition interest through the Effective Date, at an interest rate agreed to by the parties, or, if no agreement can be reached, as determined by the Bankruptcy Court after notice and a hearing; or (ii) deferred Cash payments when and as required by the agreement and documents giving rise to such Allowed Secured Claim; or (iii) the return of the collateral securing such Allowed Secured Claim; or (iv) if such Allowed Secured Claim is subject to a valid right of recoupment or setoff, such Claim shall be setoff to the extent of the amount subject to setoff in accordance with sections 506(a) and 553 of the Bankruptcy Code. Notwithstanding any of the foregoing, the Debtor and any holder of an Allowed Secured Claim may agree to any alternate treatment for such Secured Claim; provided, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Secured Claim.

(d) Class 4 – Robins & Morton Claim.

The holder of the Robins & Morton Claim against the Debtor shall receive, in full satisfaction of such Claim, cash in the amount of \$455,351.15 plus interest calculated from the Effective Date at a rate of 5% per annum, payable in twelve equal monthly installments commencing on the Effective Date, and shall retain all liens securing the Robins & Morton Claim until the holder of the Robins & Morton Claim has received all payments to which it is entitled pursuant to the Plan.

(e) Class 5 – Trust Personal Injury Claims.

Each holder of a Trust Personal Injury Claim shall receive, in full satisfaction of its Trust Personal Injury Claim, each of the following: (i) its allocation of the Personal Injury Trust Interests as determined by the Personal Injury Trustee pursuant to the mechanism established by the United Tort Claimants in accordance with Section 7.2(f) of the Plan; (ii) the benefits of the Global Settlement; and (iii) a release by the Debtor of any medical liens held by the Debtor against such holder for unpaid fees arising from medical services provided by the Debtor.

(f) Class 6 – Unsecured Claims.

On the applicable Plan Distribution Dates, each holder of an Allowed Unsecured Claim against the Debtor will receive payment of its Allowed Unsecured Claim in full and in Cash, plus interest at a rate of 3% per annum, in eight separate and equal quarterly installments; provided, that prior to the Debtor making any such payments, the amount of such holder's Allowed Unsecured Claim shall be reduced by applying the full amount of any previously unapplied postpetition deposit paid by the Debtor to such holder as adequate assurance of future performance to such holder's Allowed Unsecured Claim. Interest in respect of an Allowed Unsecured Claim shall begin to accrue on the Effective Date and shall continue to accrue on the outstanding amount of such Allowed Unsecured Claim until such Allowed Unsecured Claim is paid in full. The first payment in respect of an Allowed Unsecured Claim shall be made on later of (i) the Effective Date; and (ii) the date such Unsecured Claim becomes an Allowed Claim. Thereafter, such holder shall receive seven additional payments on the last Business Day of each fiscal quarter.

(g) Class 7 – QHR Claims.

On the Effective Date, pursuant to the terms of the Global Settlement, all holders of QHR Claims shall release all QHR Claims that they hold against the Debtor and shall receive, in full satisfaction of such QHR Claims, the releases from the Debtor set forth in Section 14.16(c) of the Plan and the benefits of the Global Settlement.

(h) Class 8 – Non-QHR Reimbursement, Contribution and Indemnity Claims.

Except as set forth in Section 7.2(h), each holder of an Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim shall be paid by the Personal Injury Trustee from the Personal Injury Trust Property an amount equal to such holder's Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim, without interest, not later than ten (10) Business Days following the date that such Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim becomes an Allowed Claim, provided, however, that, absent the agreement of the Personal Injury Trustee, the holder of an Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim shall not be entitled to receive any proceeds of the Personal Injury Trust Note on account of its Allowed Non-QHR Reimbursement, Contribution and Indemnity Claim.

(i) Class 9 – Subordinated Claims.

Each holder of an Allowed Subordinated Claim shall neither receive nor retain under the Plan any property of any kind or nature whatsoever, including, without limitation, Cash, on account of such holder's Allowed Subordinated Claim.

ARTICLE V

PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN

5.1 Unclassified Claims.

Administrative Claims and Tax Claims are treated in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of this Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

5.2 Treatment of Administrative Claims.

All Administrative Claims shall be treated as follows:

(a) Time for Filing Administrative Claims.

The holder of an Administrative Claim, other than (i) a Fee Claim; (ii) a liability incurred and payable in the ordinary course of business by the Debtor (and not past due); or (iii) an Administrative Claim that has been Allowed on or before the Effective Date, must file with the Bankruptcy Court and serve on the Debtor and the Office of the United States Trustee,

notice of such Administrative Claim within forty (40) days after service of Notice of Confirmation. Such notice must include at a minimum (A) the name of the holder of the Claim; (B) the amount of the Claim; and (C) the basis of the Claim. **Failure to file and serve such notice timely and properly shall result in the Administrative Claim being forever barred and discharged.**

(b) Time for Filing Fee Claims.

(i) Each Professional Person who holds or asserts a Fee Claim shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within forty-five (45) days after the Effective Date. **The failure to timely file and serve such Fee Application shall result in the Fee Claim being forever barred and discharged.**

(ii) Notwithstanding the foregoing, all Fee Claims for services after the Effective Date may be paid by the Debtor upon receipt of an invoice for such services, or on such other terms to which the Debtor and the relevant Professional Person may agree, without the need for further Bankruptcy Court authorization or entry of a Final Order.

(c) Allowance of Administrative Claims/Fee Claims.

An Administrative Claim with respect to which notice has been properly filed and served pursuant to Section 5.2(a) shall become an Allowed Administrative Claim if no objection is filed within sixty (60) days after the later of (i) the Effective Date; and (ii) the date of service of the applicable notice of Administrative Claim or such later date as may be approved by the Bankruptcy Court on motion of a party in interest, without notice or a hearing. If an objection is filed within such 60-day period (or any extension thereof), the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. A Fee Claim in respect of which a Fee Application has been properly filed and served pursuant to Section 5.2(b) shall become an Allowed Administrative Claim only to the extent allowed by order of the Bankruptcy Court.

(d) Payment of Allowed Administrative Claims.

On the applicable Plan Distribution Date, each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim in one Cash payment; or (ii) such other treatment as may be agreed upon in writing by the Debtor and such holder; provided, however, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; and provided further that an Administrative Claim representing a liability incurred and payable in the ordinary course of business of the Debtor may be paid at the Debtor's election in the ordinary course of business.

5.3 Treatment of Tax Claims.

At the election of the Debtor, each holder of an Allowed Tax Claim will receive in full satisfaction of such Allowed Tax Claim (a) payments in Cash, in equal quarterly installments

over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (b) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (c) such other treatment as may be agreed upon in writing by such holder; provided, however, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Tax Claim. The Confirmation Order shall enjoin any holder of an Allowed Tax Claim from commencing or continuing any action or proceeding against any responsible person, officer or director of the Debtor that otherwise would be liable to such holder for payment of a Tax Claim so long as the Debtor is in compliance with this Section 5.3. So long as the holder of an Allowed Tax Claim is enjoined from commencing or continuing any action or proceeding against any responsible person, officer or director under this Section 5.3 or pursuant to the Confirmation Order, the statute of limitations for commencing or continuing any such action or proceeding shall be tolled.

ARTICLE VI

ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIMS

6.1 Classes Entitled to Vote.

Except for Class 1 – Priority Claims, Class 2 – Letter of Credit Claims and Class 9 – Subordinated Claims, all classes of Claims are entitled to vote on the Plan. Class 1 – Priority Claims and Class 2 – Letter of Credit Claims are unimpaired and are deemed to have accepted the Plan. Holders of Class 9 – Subordinated Claims are not retaining or receiving any property under the Plan on account of their Claims and, therefore, Class 9 – Subordinated Claims is deemed to have rejected the Plan.

6.2 Class Acceptance Requirement.

A class of Claims shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such class that have voted on the Plan.

6.3 Cramdown.

If all applicable requirements for confirmation of the Plan are met as set forth in section 1129(a)(1) through (16) of the Bankruptcy Code, except subsection (8) thereof, then the Plan shall be treated as a request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, notwithstanding the failure to satisfy the requirements of section 1129(a)(8), on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to each class of Claims that is impaired under, and has not accepted, the Plan.

ARTICLE VII

MEANS FOR IMPLEMENTATION OF THE PLAN

7.1 Operations Between the Confirmation Date and the Effective Date.

During the period from the Confirmation Date through and until the Effective Date, the Debtor shall continue to operate its businesses as a debtor in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules and all orders of the Bankruptcy Court that are then in full force and effect.

7.2 The Personal Injury Trust.

(a) Formation. Pursuant to section 1123(a)(5) of the Bankruptcy Code on the Effective Date:

(i) the Personal Injury Trust shall be created pursuant to the Personal Injury Trust Declaration.

(ii) The Personal Injury Trust shall be administered by the Personal Injury Trustee, which shall be identified prior to the commencement of the Confirmation Hearing. The appointment of the initial Personal Injury Trustee and the terms of its compensation shall be subject to the approval of the Bankruptcy Court.

(iii) During the period from the Confirmation Date to the Effective Date, the Debtor shall reimburse the Personal Injury Trustee for actual and necessary out-of-pocket expenses incurred by it in preparing to assume its responsibilities under the Personal Injury Trust Declaration in an aggregate amount not to exceed \$10,000.

(iv) On the Effective Date, the Debtor shall (A) issue and deliver the Personal Injury Note to the Personal Injury Trust and shall thereafter make the payments called for by the Personal Injury Note in accordance with the terms thereof; and (B) subject to Section 7.2(h), transfer the Transferred Causes of Action to the Personal Injury Trust. Such transfers shall be free and clear of liens, Claims and other encumbrances and shall be administered for the benefit of the holders of Trust Personal Injury Claims on the terms and conditions set forth in the Plan and the Personal Injury Trust Declaration.

(b) Purpose of the Personal Injury Trust.

The Personal Injury Trust shall be established for the primary purpose of liquidating its assets in accordance with Treas. Reg. § 301.7701-4(d) with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Personal Injury Trust. Accordingly, the Personal Injury Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the non-Cash Personal Injury Trust Property, make timely distributions to the holders of Personal Injury Trust Interests, and not unduly prolong the duration of the Personal Injury Trust. The Personal Injury Trust shall not be deemed a successor-in-interest of

the Debtor for any purpose other than as specifically set forth herein or in the Personal Injury Trust Declaration. The Personal Injury Trust is intended to qualify as a “grantor trust” for federal income tax purposes with the holders of Personal Injury Trust Interests treated as grantors and owners of the Personal Injury Trust. As soon as practicable after the Effective Date, the Personal Injury Trustee (to the extent that the Personal Injury Trustee deems it necessary or appropriate in his or her sole discretion) shall value the assets of the Personal Injury Trust based on the good faith determination of the Personal Injury Trustee. The valuation shall be used consistently by all parties for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding such valuation.

(c) Certain Obligations of the Personal Injury Trust.

The Personal Injury Trust shall be solely responsible for paying from the Personal Injury Trust Property (i), subject to Section 4.1(h) and Section 7.2(h), any and all Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims; and (ii) all costs and expenses of the Personal Injury Claims Committee.

(d) Powers of the Personal Injury Trustee.

The Personal Injury Trustee shall have the power to administer the assets of the Personal Injury Trust in a manner consistent with the Personal Injury Trust Declaration and, subject to Section 7.2(h), the Personal Injury Trustee shall be the Estate representative designated to prosecute any and all Transferred Causes of Actions. Without limiting the generality of the foregoing, the Personal Injury Trustee shall (i) hold and administer, the assets of the Personal Injury Trust; (ii), subject to Section 7.2(h), have the sole power and authority to evaluate and determine strategy with respect to the Transferred Causes of Action and to litigate, settle, transfer, release or abandon any such Transferred Causes of Action on behalf of the Personal Injury Trust; (iii) subject to Section 7.2(h), have authority to pay all out of pocket expenses incurred in connection with the prosecution of the Transferred Causes of Action from assets of the Personal Injury Trust; (iv) subject to Section 7.2(h), have the sole power and authority to prosecute objections to the Non-QHR Reimbursement, Contribution and Indemnity Claims at its own cost and expense; (v) have the power and authority to retain, as an expense of the Personal Injury Trust, such other attorneys, advisors, other professionals and employees as may be appropriate to perform the duties required of the Personal Injury Trustee hereunder or in the Personal Injury Trust Declaration; (vi) make distributions as provided in the Personal Injury Trust Declaration and this Plan; and (vii) provide periodic reports and updates regarding the status of the administration of the Personal Injury Trust. The Personal Injury Trustee shall be deemed a Disbursing Agent under the Plan when making distributions to holders of Personal Injury Trust Interests pursuant to the Personal Injury Trust Declaration.

(e) Termination of Personal Injury Trust.

The Personal Injury Trust will terminate as soon as practicable, but not later than the seventh (7th) anniversary of the Effective Date; provided, however, that, on or prior to the seventh (7th) anniversary of the Effective Date (or such later date as may be permitted by order of the Bankruptcy Court as described in this Subsection 7.2(e)), the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Personal Injury Trust for a finite period,

if such an extension is necessary to liquidate the assets of the Personal Injury Trust or for other good cause. Multiple extensions of the termination of the Personal Injury Trust may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term and the Personal Injury Trustee receives an opinion of counsel or a favorable ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the Personal Injury Trust as a grantor trust for federal income tax purposes.

(f) Determination of Personal Injury Trust Interests.

Prior to the Confirmation Date, the United Tort Claimants shall establish a procedure for determining the amount of distributions each holder of an Allowed Trust Personal Injury Claim shall receive from the Personal Injury Trust and the Personal Injury Trustee shall make distributions, on each Plan Distribution Date, in a manner consistent with such procedure. Prior to making distributions to holders of Trust Personal Injury Claims, the Personal Injury Trustee shall establish sufficient reserves to reasonably assure that the Personal Injury Trust is able to (i) pay all of its administrative costs; (ii) pay the costs and expenses of the Personal Injury Claims Committee; and, (iii) subject to Section 4.1(h) and Section 7.2(h), satisfy all Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims in full as provided for in the Plan.

(g) Certain Obligations of the Debtor.

Subject to Section 7.2(h), the Debtor shall cooperate in a commercially reasonable manner and in good faith with the Personal Injury Trustee to assure that the Personal Injury Trust has full and complete access to the Debtor's books and records in connection with its duty to prosecute the Transferred Causes of Action. Without limiting the generality of the foregoing, and subject to Section 7.2(h), the Debtor shall (i) preserve all records and documents (including any electronic records and documents) related to the Transferred Causes of Action until the fifth (5th) anniversary of the Effective Date, or if actions related to the Transferred Causes of Action remain pending as of such date, until the Personal Injury Trustee notifies the Debtor that such records are no longer required to be preserved; and (ii) provide the Personal Injury Trustee with reasonable access to review and copy such records and documents.

(h) Bryant Settlement.

The Debtor and Dr. Bryant have entered into the Bryant Settlement, but, as of the filing of the Plan, the Bryant Settlement has not yet been approved by the Bankruptcy Court. Notwithstanding anything else in the Plan, if the Bryant Settlement is approved by the Bankruptcy Court and becomes effective on or before the Effective Date, the Transferred Causes of Action shall not be transferred to the Personal Injury Trust and shall, instead, be deemed released as of the effective date of the Bryant Settlement. Further, notwithstanding anything else in the Plan, including, without limitation, in Section 4.1(h), if the Bryant Settlement is approved by the Bankruptcy Court and becomes effective on or before the Effective Date, all Bryant Reimbursement, Contribution and Indemnity Claims shall be deemed released and Dr. Bryant shall not be entitled to any recoveries on account of his Bryant Reimbursement, Contribution and Indemnity Claims under the Plan from the Personal Injury Trust or otherwise. Additionally, if

the Transferred Causes of Action are not transferred to the Personal Injury Trust, the Debtor shall be relieved from its obligations under Section 7.2(g).

(i) Certain Exculpations.

The Personal Injury Trustee, the United Tort Claimants, and the Personal Injury Claims Committee, together with their respective officers, directors, employees, agents, and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and other parties in interest, from any and all Causes of Action, arising out of the discharge of the powers and duties conferred upon the Personal Injury Trustee by the Personal Injury Trust Declaration, the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Personal Injury Trustee's gross negligence or willful misconduct. No holder of a Claim or representative thereof shall have or pursue any claim or Cause of Action against the Personal Injury Trustee, the United Tort Claimants or the Personal Injury Claims Committee, or any of their respective officers, directors, employees, agents, or representatives, for establishing and/or implementing the mechanism set forth in Section 7.2(f), making payments in accordance with the Personal Injury Trust Declaration, or for liquidating assets to make payments under the Personal Injury Trust Declaration.

7.3 Personal Injury Claims Committee.

(a) On the Effective Date, the United Tort Claimants shall establish a committee of representatives of holders of Trust Personal Injury Claims to act as the "Personal Injury Claims Committee" under the Plan. The Personal Injury Claims Committee shall serve as a liaison between the holders of Trust Personal Injury Claims and the Personal Injury Trustee, shall have standing (along with each Trust Personal Injury Claimant) to object to any action or omission taken by the Personal Injury Trustee, and shall have all of the other rights and responsibilities set forth in the Plan. The Debtor shall have no responsibility for any costs and expenses incurred by the Personal Injury Claims Committee.

(b) Notwithstanding anything set forth in this Section 7.3(b) or otherwise in the Plan, including, without limitation, in Section 14.4 and Section 14.5 of the Plan, the Trust Personal Injury Claims shall not be deemed discharged pursuant the Plan or section 1141(d) of the Bankruptcy Code and the releases of the holders of Trust Personal Injury Claims set forth in Section 14.18 of the Plan or in the Global Settlement shall not be effective, if the Debtor fails to make any payment due in respect of the Personal Injury Trust Note and such failure is not cured within thirty (30) days of the receipt of a written notice issued by the Personal Injury Trustee that such failure has occurred. In the event that the Trust Personal Injury Claims are reinstated as provided in this Section 7.3(b), the Debtor shall be entitled to assert any and all defenses it may have to the Trust Personal Injury Claims and assert any Claims it may hold against holders of Trust Personal Injury Claims notwithstanding the releases set forth in Section 14.16(c) of the Plan or in the Global Settlement.

7.4 Certain Provisions Concerning Other Personal Injury Claims.

Notwithstanding anything else set forth in the Plan, on the Effective Date, all Other Personal Injury Claims shall be deemed Contested Claims and shall not become Allowed absent a judgment from a court of competent jurisdiction or agreement of the Debtor. On and after the Effective Date, notwithstanding the automatic stay (to the extent applicable), the discharge provided for in section 1141(d) of the Bankruptcy Code and in the Plan, and any other injunction provided for in the Plan, the holders of Other Personal Injury Claims that filed a timely proof of claim in respect of such Claims shall be entitled to liquidate such Claims against the Debtor in the court of their choice, provided, that any such Other Personal Injury Claims that become Allowed Claims as provided in this Section 7.4 shall be paid as Unsecured Claims under the Plan, and provided further, that any such Allowed Other Personal Injury Claims shall be reduced by the amount of any insurance proceeds paid to the holders of such Allowed Other Personal Injury Claims on account of such Claims. Holders of Other Personal Injury Claims that failed to file a timely proof of claim shall, on the Effective Date, have their Claims disallowed in their entirety and shall be fully subject to the automatic stay (to the extent applicable), the discharge provided for in section 1141(d) of the Bankruptcy Code and in the Plan, and any other injunctions set forth in the Plan.

7.5 Approval of Global Settlement.

The Global Settlement is fully incorporated herein by reference. The entry of the Confirmation Order shall constitute a finding and determination that each of the Global Settlement and the Global Settlement Documentation is (a) approved in all respects, including, without limitation, pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure, (b) fair, equitable and in the best interest of creditors and all other parties in interest; (c) the product of good faith arm's-length negotiations, (d) fully consistent with and does not violate the Nautilus Policies in any respect or manner whatsoever and (e) appropriate in all other respects and entered into in good faith. On the Effective Date, the Debtor shall be authorized to perform all of its obligations under the Global Settlement and the Global Settlement Documentation without further order of the Bankruptcy Court and the Global Settlement shall be deemed binding on all of the parties thereto. Without limiting the generality of the foregoing, each party to the Global Settlement, including, without limitation, the Debtor, QHR and Nautilus, shall be obligated to make all payments set forth in the Global Settlement on the terms and conditions set forth therein. Notwithstanding anything else set forth herein, in the event of a conflict between the Global Settlement Documentation and the Plan, the terms of the Plan shall govern.

7.6 Exit Financing.

On or before the Effective Date, the Debtor shall obtain Bankruptcy Court approval of exit financing (the "Exit Financing") in an amount sufficient to (a) treat the Letter of Credit Claims as required by the Plan; and (b), together with the Debtor's other cash resources, fund the Debtor's obligations under this Plan. The entry of the Confirmation Order shall constitute final approval of any fees and costs owed to the underwriter of the Exit Financing.

7.7 Corporate Action.

The entry of the Confirmation Order shall constitute authorization for the Debtor to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule or regulation, including, without limitation, any action required by the directors of the Debtor including, among other things, the incurrence of all obligations contemplated by the Plan and the Global Settlement and the making of Plan Distributions. On the Effective Date, the officers of the Debtor are authorized and directed to do all things and to execute and deliver all agreements, documents, instruments, notices and certificates as are contemplated by the Plan and the Global Settlement and to take all necessary action required in connection therewith, in the name of and on behalf of the Debtor. All obligations of the Debtor set forth in the Debtor's corporate documents to indemnify and hold harmless its current and former directors, officers and employees shall be assumed by, and assigned to, the Debtor upon the occurrence of the Effective Date with the same effect as though such obligations constituted executory contracts that are assumed (or assumed and assigned, as applicable) under section 365 of the Bankruptcy Code, and all such obligations shall be fully enforceable on their terms from and after the Effective Date, provided that any such obligations of the Debtor consisting of or related to QHR Claims shall not be assumed by the Debtor and shall be treated as otherwise set forth in the Plan.

7.8 Re-vesting of Assets.

Upon the occurrence of the Effective Date, except as otherwise expressly provided in the Plan, title to all of the Assets of the Debtor shall vest in the Debtor free and clear of all liens, Claims, interests, security interests and other encumbrances and without further order of the Bankruptcy Court. On and after the occurrence of the Effective Date, except as otherwise provided in the Plan, the Debtor may operate its business and may use, acquire and dispose of its Assets free of any restrictions of the Bankruptcy Code.

7.9 Management and Officers.

The board of directors and officers of the Debtor shall continue to serve in their current capacity on and after the Effective Date. Subject to applicable law, from and after the Effective Date, the officers of the Debtor shall be selected and appointed, in accordance with, and pursuant to, the provisions of applicable law and the Debtor's constituent documents. In addition to the foregoing, on the Effective Date, the Debtor shall assume the Employee Obligations.

7.10 Rescission Action and Coverage Action.

Pursuant to the Global Settlement, on the Effective Date, the Rescission Action and the Coverage Action shall be dismissed with prejudice with each party paying its own attorneys' fees and costs.

7.11 Avoidance Actions.

On the Effective Date, the Debtor shall and hereby does waive the right to seek

affirmative recoveries in respect of any Avoidance Actions from any holder of a Class 6 – Unsecured Claim; except, that the Debtor reserves the right to assert an Avoidance Action as a offset to any such holder's Class 6 – Unsecured Claim; except, further, that the Debtor reserves the right to seek to subordinate any Claim pursuant to section 510(c) of the Bankruptcy Code and other applicable law, if appropriate.

7.12 Certain Creditors' Committee Matters.

As a result of the Global Settlement, the Creditors' Committee shall not complete the QHR Investigation. Further, on the Effective Date, the Creditors' Committee shall destroy all confidential documents provided to the Committee by the Debtor in connection with the QHR Investigation and such confidential documents shall not be subject to discovery by any of the parties to the Global Settlement. As soon as practicable after the Effective Date, the Debtor shall produce to the United Tort Claimants all non-privileged documents provided to the Committee in connection with the QHR Investigation.

7.13 Causes of Action.

Except for the Transferred Causes of Action (subject to Section 7.2(h)) and as otherwise set forth in the Plan, all Causes of Action of the Debtor and its Estate shall, upon the occurrence of the Effective Date, be vested in the Debtor. Except as otherwise provided in the Plan, the rights of the Debtor to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date.

No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against it as any indication that the Debtor will not pursue any and all available Causes of Action against it. The Debtor and its Estate expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Debtor expressly reserves all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon or after the confirmation or consummation of the Plan.

Without limiting the generality of the foregoing, subject to Section 7.2(h), the Transferred Causes of Action are fully preserved under the Plan and shall be transferred to the Personal Injury Trust. Subject to Section 7.2(h), the Personal Injury Trust shall be the Estate representative for the purpose of pursuing such Claims and, subject to Section 7.2(h), nothing in the Plan shall in any manner waive, release or modify the Transferred Causes of Action.

ARTICLE VIII

APPOINTMENT OF THE DISBURSING AGENT

Upon the occurrence of the Effective Date, (a) the Debtor shall be appointed to serve as the Disbursing Agent with respect to all Allowed Claims other than Allowed Trust Personal Injury Claims and Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims; and (b) the Personal Injury Trustee shall be appointed to serve as the Disbursing Agent with respect to Allowed Trust Personal Injury Claims and Allowed Non-QHR Reimbursement, Contribution and Indemnity Claims. Each of the Debtor and the Personal Injury Trustee, in its respective capacity a Disbursing Agent, shall have all powers, rights, duties and protections afforded the Disbursing Agent under the Plan.

8.1 Powers and Duties of the Disbursing Agent.

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall be empowered and directed to (a) take all steps and execute all instruments and documents necessary to make Plan Distributions to holders of Allowed Claims; (b) comply with the Plan and the obligations thereunder; (c) employ, retain, or replace professionals to represent it with respect to its responsibilities; (d) object to Claims as specified in the Plan, and prosecute such objections; (e) compromise and settle any issue or dispute regarding the amount, validity, priority, treatment, or Allowance of any Claim as provided in the Plan; (f) make annual and other periodic reports regarding the status of distributions under the Plan to the holders of Allowed Claims that are outstanding at such time, with such reports to be made available upon request to the holder of any Contested Claim; and (g) exercise such other powers as may be vested in the Disbursing Agent pursuant to the Plan, the Plan Documents or order of the Bankruptcy Court.

8.2 Plan Distributions.

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall make the required Plan Distributions specified under the Plan on the relevant Plan Distribution Date therefor.

8.3 Exculpation of Disbursing Agent.

Except as otherwise provided in this Section 8.3, the Disbursing Agent, together with its officers, directors, employees, agents, and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and all other parties in interest, from any and all Causes of Action arising out of the discharge of the powers and duties conferred upon the Disbursing Agent (and each of its respective paying agents), by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Disbursing Agent's willful misconduct or gross negligence. No holder of a Claim or representative thereof, shall have or pursue any Cause of Action (a) against the Disbursing Agent or its respective officers, directors, employees, agents, and representatives for making Plan Distributions in accordance with the Plan; or (b) against any holder of a Claim for receiving or retaining Plan Distributions as provided for by the Plan. Nothing contained in this Section 8.3 shall

preclude or impair any holder of an Allowed Claim from bringing an action in the Bankruptcy Court against any Debtor to compel the making of Plan Distributions contemplated by the Plan on account of such Claim.

8.4 Sources of Cash for Plan Distributions.

All Cash necessary for the Debtor to make payments and Plan Distributions in its capacity as Disbursing Agent shall be obtained from the Debtor's existing cash balances, operations, and Exit Financing. All Cash necessary for the Personal Injury Trustee to make payments and Plan Distributions in its capacity as Disbursing Agent shall be obtained from the assets of the Personal Injury Trust in accordance with the terms of the Personal Injury Trust Declaration.

ARTICLE IX

PLAN DISTRIBUTION PROVISIONS

9.1 Plan Distributions.

The Disbursing Agent shall make all Plan Distributions in accordance with the terms of the Plan. In the event a Plan Distribution shall be payable on a day other than a Business Day, such Plan Distribution shall instead be paid on the immediately succeeding Business Day, but shall be deemed to have been made on the date otherwise due. For federal income tax purposes, except to the extent a Plan Distribution is made in connection with reinstatement of an obligation pursuant to section 1124 of the Bankruptcy Code, a Plan Distribution will be allocated first to the principal amount of a Claim and then, to the extent the Plan Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest.

9.2 Timing of Plan Distributions.

Each Plan Distribution shall be made on the relevant Plan Distribution Date therefor and shall be deemed to have been timely made if made on such date or within ten (10) days thereafter.

9.3 Address for Delivery of Plan Distributions/Unclaimed Plan Distributions.

Subject to Bankruptcy Rule 9010, any Plan Distribution or delivery to a holder of an Allowed Claim shall be made at the address of such holder as set forth (a) in the Debtor's Schedules; (b) on the proof of Claim filed by such holder; (c) in any notice of assignment filed with the Bankruptcy Court with respect to such Claim pursuant to Bankruptcy Rule 3001(e); and (d) in any notice served by such holder giving details of a change of address. If any Plan Distribution is returned to the Disbursing Agent as undeliverable, no Plan Distributions shall be made to such holder unless the Disbursing Agent is notified of such holder's then current address within ninety (90) days after such Plan Distribution was returned. After such date, if such notice was not provided, a holder shall have forfeited its right to such Plan Distribution, and the undeliverable Plan Distributions shall be returned to the Debtor.

9.4 De Minimis Plan Distributions.

No Plan Distribution of less than twenty-five dollars (\$25.00) shall be made by the Disbursing Agent to the holder of any Claim unless a request therefor is made in writing to the Disbursing Agent within ninety (90) days of the Effective Date. Each Plan Distribution of less than twenty-five dollars (\$25.00) as to which no request is made as provided in this Section 9.4 shall automatically revert to the Debtor on the ninety-first (91st) day after the Effective Date.

9.5 Time Bar to Cash Payments.

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to the Disbursing Agent by the holder of the Allowed Claim to whom such check was originally issued. Any claim in respect of such a voided check shall be made within thirty days (30) days after the date upon which such check was deemed void. If no request is made as provided in the preceding sentence, any claims in respect of such voided check shall be discharged and forever barred and such unclaimed Plan Distribution shall revert to the Debtor.

9.6 Manner of Payment under the Plan.

Unless the Person receiving a Plan Distribution agrees otherwise, any Plan Distribution to be made in Cash under the Plan shall be made, at the election of the Disbursing Agent, by check drawn on a domestic bank or by wire transfer from a domestic bank. Cash payments to foreign creditors may, in addition to the foregoing, be made at the option of the Disbursing Agent in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

9.7 Fractional Plan Distributions.

Notwithstanding anything to the contrary contained herein, no Plan Distributions of fractions of dollars (whether in Cash or notes) will be made. Fractions of dollars (whether in Cash or notes) shall be rounded to the nearest whole unit (with any amount equal to or less than one-half dollar to be rounded down).

9.8 Surrender and Cancellation of Instruments.

As a condition to receiving any Plan Distribution, on or before the Plan Distribution Date, the holder of an Allowed Claim evidenced by a certificate, instrument or note other than any such certificate, instrument or note that is being reinstated or being left unimpaired under the Plan, shall (a) surrender such certificate, instrument or note representing such Claim, except to the extent assumed by the Debtor; and (b) execute and deliver such other documents as may be necessary to effectuate the Plan. Such certificate, instrument or note shall thereafter be cancelled and extinguished. The Disbursing Agent shall have the right to withhold any Plan Distribution to be made to or on behalf of any holder of such Claims unless and until (1) such certificates, instruments or notes are surrendered; or (2) any relevant holder provides to the Disbursing Agent an affidavit of loss or such other documents as may be required by the Disbursing Agent together with an appropriate indemnity in the customary form. Any such holder who fails to surrender such certificates, instruments or notes or otherwise fails to deliver an affidavit of loss and

indemnity prior to the second anniversary of the Effective Date, shall be deemed to have forfeited its Claims and shall not participate in any Plan Distribution. All property in respect of such forfeited Claims shall revert to the Debtor.

ARTICLE X

PROCEDURES FOR RESOLVING AND TREATING CONTESTED CLAIMS

10.1 Certain Claims Resolved Pursuant to Special Procedures.

All Trust Personal Injury Claims shall be resolved as provided in Section 7.2 and Section 7.3 of the Plan and not pursuant to the procedures set forth in this Article X. All Other Personal Injury Claims shall be liquidated as set forth in Section 7.4 of the Plan and not pursuant to the procedures set forth in this Article X. Subject to Section 7.2(h), all Non-QHR Reimbursement, Contribution and Indemnity Claims shall be liquidated as provided in Section 7.2 of the Plan and not pursuant to the procedures set forth in this Article X. All other Claims shall be subject to the procedures set forth in this Article X.

10.2 Objection Deadline and Deadline to Value Collateral.

(a) The Disbursing Agent shall file objections to Claims, if any, with the Bankruptcy Court as soon as practicable, but not later than (a) the date that is one hundred and eighty (180) days after the Effective Date; or (b) such later date as may be established by order of the Bankruptcy Court upon motion of the Disbursing Agent without notice or a hearing. The Disbursing Agent shall serve any objection to a Claim upon the holder of the Claim to which the Debtor objects.

(b) The Disbursing Agent shall file motions to value collateral pursuant to section 506(a) of the Bankruptcy Code and Bankruptcy Rule 3012, if any, with the Bankruptcy Court as soon as practicable, but not later than (a) the date that is one hundred and eighty (180) days after the Effective Date; or (b) such later date as may be established by order of the Bankruptcy Court upon motion of the Disbursing Agent without notice or a hearing.

10.3 Prosecution of Contested Claims.

The Debtor, in its capacity as Disbursing Agent, may object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted as provided herein shall be litigated to Final Order or compromised and settled in accordance with Section 10.4 of the Plan.

10.4 Claims Settlement.

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, the Debtor, in its capacity as Disbursing Agent, shall have authority to settle or compromise all Claims and Causes of Action without further review or approval of the Bankruptcy Court.

10.5 Entitlement to Plan Distributions upon Allowance.

Notwithstanding any other provision of the Plan, no Plan Distribution shall be made with respect to any Claim to the extent it is a Contested Claim, unless and until such Contested Claim becomes an Allowed Claim. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when) the holder of such Allowed Claim shall thereupon become entitled to receive the Plan Distributions in respect of such Claim, the same as though such Claim had been an Allowed Claim on the Effective Date.

ARTICLE XI

CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE OCCURRENCE OF THE EFFECTIVE DATE

11.1 Conditions Precedent to Confirmation.

The following are conditions precedent to confirmation of the Plan:

(a) The clerk of the Bankruptcy Court shall have entered an order or orders (i) approving the Disclosure Statement as containing “adequate information” pursuant to section 1125 of the Bankruptcy Code; (ii) authorizing the solicitation of votes with respect to the Plan; (iii) determining that all votes are binding and have been properly tabulated as acceptances or rejections of the Plan; (iv) confirming and giving effect to the terms and provisions of the Plan; (v) determining that all applicable tests, standards and burdens in connection with the Plan have been duly satisfied and met by the Debtor and the Plan; (vii) approving the Plan Documents; and (viii) authorizing the Debtor to execute, enter into, and deliver the Plan Documents and to execute, implement, and to take all actions otherwise necessary or appropriate to give effect to, the transactions and transfer of Assets contemplated by the Plan and the Plan Documents;

(b) The Confirmation Order, the Plan Documents and the Plan are each in a form reasonably satisfactory to the Debtor, the United Tort Claimants, QHR and Nautilus; and

(c) Without limiting anything in Section 11.1(b), the Confirmation Order approves the Global Settlement and contains the findings set forth in Section 7.5 of the Plan.

11.2 Conditions Precedent to the Occurrence of the Effective Date.

The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Order shall have been entered by the clerk of the Bankruptcy Court, be in full force and effect and not be subject to any stay or injunction;

(b) The Debtor shall have executed the Personal Injury Trust Note;

(c) All necessary consents, authorizations and approvals shall have been given for the transfers of property and the payments provided for or contemplated by the Plan, including,

without limitation, satisfaction or waiver of all conditions to the obligations of the Debtor under the Plan and the Plan Documents;

(e) All conditions to the effectiveness of the Global Settlement, other than the occurrence of the Effective Date, shall have been satisfied or waived; and

(f) The Personal Injury Trust Declaration shall have become effective.

11.3 Waiver of Conditions.

The Debtor, the United Tort Claimants, QHR and Nautilus may, collectively, waive any one or more of the conditions set forth in Sections 11.1 or 11.2 in a writing executed by each of them without notice or order of the Bankruptcy Court and without notice to any parties in interest.

11.4 Effect of Non-Occurrence of the Effective Date.

If the Effective Date shall not occur, the Plan shall be null and void and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against the Debtor; (b) prejudice in any manner the rights of the Debtor, including, without limitation, any right to seek a further extension of the exclusivity periods under section 1121(d) of the Bankruptcy Code; or (c) constitute an admission, acknowledgement, offer or undertaking by the Debtor.

ARTICLE XII

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

12.1 Assumption and Rejection of Executory Contracts and Unexpired Leases.

(a) On the Effective Date, all executory contracts and unexpired leases of the Debtor shall be assumed pursuant to the provisions of section 365 of the Bankruptcy Code, except: (i) any executory contracts and unexpired leases that are the subject of separate motions to reject, assume, or assume and assign filed pursuant to section 365 of the Bankruptcy Code by the Debtor before the Effective Date; (ii) each contract and lease listed in the Schedule of Rejected Executory Contracts and Unexpired Leases; (iii) all other executory contracts and unexpired leases rejected under this Plan or by order of the Bankruptcy Court entered before the Effective Date; (iv) the QHR Management Contract; (v) any executory contract or unexpired lease that is the subject of a dispute over the amount or manner of cure pursuant to Section 12.2 hereof and for which the Debtor makes a motion to reject such contract or lease based upon the existence of such dispute filed at any time; (vi) any agreement, obligation, security interest, transaction or similar undertaking that the Debtor believes is not executory; and (vii) the Collective Bargaining Agreement. The Debtor shall file the Schedule of Assumed Executory Contracts and Expired Leases. The Debtor shall use commercially reasonable efforts to identify all executory contracts and unexpired leases subject to assumption in the Schedule of Assumed Executory Contracts and Unexpired Leases. If an executory contract or unexpired lease is omitted from the Schedule of Assumed Executory Contracts and Unexpired Leases (an “Omitted Assumed Contract”) and is not included in the Schedule of Rejected Executory Contracts and Unexpired Leases, such

executory contract or unexpired lease shall, nonetheless be deemed assumed pursuant to the terms of this Article XII.

(b) Any non-Debtor counterparty to an agreement not listed on the Schedule of Rejected Executory Contracts or Unexpired Leases that disputes (i) the amount of any cure payments; (ii) the Debtor's ability to provide adequate assurance of future performance; or (iii) any other matter pertaining to the assumption or assignment of such agreement must file with the Bankruptcy Court, and serve upon the Debtor, a written objection (an "Assumption Objection"), which objection shall set forth the basis for the dispute by no later than ten (10) Business Days prior to the Confirmation Hearing. If a non-Debtor counterparty fails to file and serve an Assumption Objection, the non-Debtor counterparty shall be deemed to have waived any and all objections to the assumption of the relevant agreement as proposed by the Debtor, including the lack of any cure obligations. Notwithstanding any of the foregoing, if an assumed executory contract or unexpired lease constitutes an Omitted Assumed Contract at any time after the commencement of the Confirmation Hearing, the Debtor shall, promptly upon the discovery of such Omitted Assumed Contract, provide written notice of such Omitted Assumed Contract to the non-Debtor counterparty identifying the Omitted Assumed Contract and detailing the proposed cure amount. Thereafter, such non-Debtor counterparty shall have twenty (20) days from the issuance of such notice to object to the assumption of such Omitted Assumed Contract or the proposed cure amount. Any objections that are not resolved by agreement shall be resolved by the Bankruptcy Court.

(c) Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of the assumption of executory contracts and unexpired leases as set forth in Section 12.1(a) pursuant to sections 365(a) and (b) of the Bankruptcy Code without further order of the Bankruptcy Court.

(d) The Plan shall constitute a motion to reject such executory contracts and unexpired leases set forth in the Schedule of Rejected Executory Contracts and Unexpired Leases, and the Debtor shall have no liability thereunder except as is specifically provided in the Plan. The Debtor reserves the right to amend the Schedule of Rejected Executory Contracts and Unexpired Leases on or prior to the Confirmation Date to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) and unexpired lease(s) shall be deemed to be, respectively, assumed or rejected by the Debtor pursuant to this Article XII. The listing of a document on the Schedule of Rejected Executory Contracts and Unexpired Leases shall not constitute an admission by the Debtor that such document is an executory contract or that the Debtor has any liability thereunder. Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of rejections under this Section 12.1 pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected agreement, executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interests of the Debtor and its Estate.

(e) Inclusion of a contract, lease or other agreement on the Schedule of Rejected Executory Contracts and Unexpired Leases shall constitute adequate and sufficient notice that (i) any Claims arising thereunder or related thereto shall be treated as Unsecured Claims under the

Plan; and (ii) the Debtor is no longer bound by, or otherwise obligated to perform, any such obligations, transactions, or undertakings relating thereto or arising thereunder.

(f) Except with respect to the addition of an Omitted Assumed Contract, the Schedule of Assumed Contracts and Unexpired Leases and Schedule of Rejected Contracts and Unexpired Leases may only be amended on or before the tenth (10th) Business Day prior to the Voting Deadline. Notice of any such amendment to the affected non-Debtor counterparty shall be provided at the time such amendment is made and such non-Debtor counterparty shall have until the Voting Deadline to object to such amendment.

12.2 Cure.

Any monetary defaults under each executory contract and unexpired lease to be assumed under this Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code: (a) by payment of the cure amount listed on the Schedule of Assumed Executory Contracts and Unexpired Leases in Cash on the Effective Date; or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event a non-Debtor counterparty files an Assumption Objection, the cure payments required by section 365(b)(1) of the Bankruptcy Code to such non-Debtor counterparty shall be made following the entry of a Final Order resolving the dispute and approving assumption or assignment, as applicable.

12.3 QHR Management Contract.

Notwithstanding anything else set forth in the Plan, on the Effective Date, the Debtor shall assume the QHR Management Contract pursuant to section 365(a) of the Bankruptcy Code. The Debtor shall not be required to pay any cure amounts in respect of such assumption and the Debtor and QHR agree that the releases set forth in Section 14.16(c) and Section 14.17 shall release any claims held by either the Debtor or QHR against the other party based on any actions or events occurring or failing to occur on or before the Effective Date, but shall not affect the obligations of the Debtor or QHR under or related to the QHR Management Contract first occurring after the Effective Date and not relating to any action or inaction occurring on or before the Effective Date. In the interests of clarity, any obligations or claims relating to the Trust Personal Injury Claims shall be deemed to have arisen on or before the Effective Date and the Debtor shall not assume any such obligations or claims under any circumstances.

12.4 Collective Bargaining Agreement.

On the Effective Date, the Debtor shall assume the Collective Bargaining Agreement in all respects. The Debtor is current on all of its obligations thereunder and, therefore, the assumption of the Collective Bargaining Agreement shall occur without the payment of any cure.

12.5 Claims Arising from Rejection, Expiration or Termination.

Claims created by the rejection of executory contracts and unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Debtor: (a) in the case of an executory contract or unexpired lease rejected by the Debtor prior to the Confirmation Date, in accordance with the order rejecting such executory contract or unexpired lease; or (b) in the case

of an executory contract or unexpired lease that (i) was terminated or expired by its terms prior to the Confirmation Date; or (ii) is rejected pursuant to this Article XII, no later than thirty (30) days after the Confirmation Date. Any such Claims for which a proof of claim is not filed and served by the deadlines set forth in the Bar Date Notice or this Section 12.5, as applicable, will be forever barred from assertion and shall not be enforceable against the Debtor or its Estate. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as Unsecured Claims under the Plan subject to objection by the Disbursing Agent.

ARTICLE XIII

RETENTION OF JURISDICTION

13.1 Scope of Retention of Jurisdiction.

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall retain and shall have exclusive jurisdiction over any matter (a) arising under the Bankruptcy Code; or (b) arising in or related to the Chapter 11 Case or the Plan, including, without limitation, the following:

(i) To hear and determine any and all motions or applications pending on the Confirmation Date or thereafter brought in accordance with Article XII hereof for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear and determine any and all Claims and any related disputes (including, without limitation, the exercise or enforcement of setoff or recoupment rights, or rights against any third party or the property of any third party resulting therefrom or from the expiration, termination or liquidation of any executory contract or unexpired lease);

(ii) To determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Disbursing Agent, the Personal Injury Trustee or the Debtor, as applicable, after the Effective Date;

(iii) Except as provided for in the Plan, to hear and determine any objections to the allowance of Claims, whether filed, asserted, or made before or after the Effective Date, including, without express or implied limitation, to hear and determine any objections to the classification of any Claim and to allow, disallow or estimate any Contested Claim in whole or in part;

(iv) To issue such orders in aid of execution of the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

(v) To consider any modifications of the Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(vi) To hear and determine all Fee Applications and applications for allowances of compensation and reimbursement of any other fees and expenses authorized to be paid or reimbursed under the Plan or the Bankruptcy Code;

(vii) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Plan, the Plan Documents, the Global Settlement (to the extent such controversies, suits and disputes involve the Debtor), or their interpretation, implementation, enforcement, or consummation;

(viii) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Confirmation Order (and all exhibits to the Plan) or its interpretation, implementation, enforcement, or consummation;

(ix) To the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim or Cause of Action by, on behalf of, or against the Estate;

(x) To determine such other matters that may be set forth in the Plan, or the Confirmation Order, or that may arise in connection with the Plan, or the Confirmation Order;

(xi) To hear and determine matters concerning state, local, and federal taxes, fines, penalties, or additions to taxes for which the Debtor, the Debtor in Possession, Personal Injury Trustee or the Disbursing Agent may be liable, directly or indirectly, in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(xii) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with any setoff and/or recoupment rights of the Debtor or any Person under the Plan;

(xiii) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with Causes of Action of the Debtor (including Avoidance Actions and Transferred Causes of Action) commenced by the Disbursing Agent, the Personal Injury Trustee, the Debtor or any third parties, as applicable, before or after the Effective Date;

(xiv) To enter an order or final decree closing the Chapter 11 Case;

(xv) To issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation or enforcement of the Plan or the Confirmation Order; and

(xvi) To hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code.

13.2 Failure of the Bankruptcy Court to Exercise Jurisdiction.

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Case, including the matters set forth in Section 13.1 of the Plan, the provisions of this Article XIII shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

14.1 Payment of Statutory Fees.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtor on or before the Effective Date.

14.2 Satisfaction of Claims.

The rights afforded in the Plan and the treatment of all Claims herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature whatsoever against the Debtor, the Estate, the Debtor in Possession or any of their Assets. Except as otherwise provided herein, on the Effective Date, all Claims against the Debtor and the Debtor in Possession shall be satisfied, discharged, and released in full. Except as otherwise provided herein, all Persons shall be precluded and forever barred from asserting against the Debtor, the Estate and its Assets any event, occurrence, condition, thing, or other or further Claims or Causes of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefore were known or existed prior to the Effective Date.

14.3 Exculpation.

None of the Debtor, the Creditors' Committee, the United Tort Claimants, the Personal Injury Claims Committee, the QHR Entities or Nautilus or their respective members (in their capacity as such), or any of their respective officers, directors, members, employees, agents, representatives, advisors, attorneys or successors and assigns will have or incur any liability to any Person for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan, or the implementation or administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence as finally determined by the Bankruptcy Court, and, in all respects shall be entitled to rely upon the advice of counsel and all information provided by other exculpated persons herein without any duty to investigate the veracity or accuracy of such information with respect to their duties and responsibilities under the Plan.

14.4 Discharge of Liabilities.

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, the Debtor shall be discharged from all Claims and Causes of Action to the fullest extent permitted by section 1141 of the Bankruptcy Code, and all holders of Claims shall be precluded from asserting against the Debtor, its Assets, or any property dealt with under the Plan, any further or other Cause of Action based upon any act or omission, transaction, event, thing, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date.

14.5 Discharge of Debtor.

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, without further notice or order, all Claims of any nature whatsoever shall be automatically discharged forever. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Debtor and its Estate shall be deemed fully discharged and released from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (b) a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code; or (c) the holder of a Claim based upon such debt has accepted the Plan. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor and its Estate. As provided in section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Debtor and its Estate to the extent it relates to a discharged Claim, and operates as an injunction against the prosecution of any action against the Debtor, its Estate or its Assets to the extent it relates to a discharged Claim.

14.6 Notices.

Any notices, requests, and demands required or permitted to be provided under the Plan, in order to be effective, shall be in writing (including, without express or implied limitation, by facsimile transmission), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtor:

Otero County Hospital Association, Inc.
d/b/a Gerald Champion Regional Medical Center
2669 Scenic Drive
Alamogordo, New Mexico 88310
Attn: John D. Wheeler, Esq.

With a copy to:

White & Case LLP
633 W. Fifth Street, Suite 1900
Los Angeles, CA 90071

Attention: Craig H. Averch, Esq.

If to the Personal Injury Claims Committee:

Otero County Personal Injury Claims Committee
c/o Barney Given, Esq.
10100 Santa Monica Blvd., Suite 2200
Los Angeles, CA 90067

If to Quorum Health Resources, LLC:

Quorum Health Resources, LLC
105 Continental Place
Brentwood, TN 37027
Attn: Mr. Robert Vento

With a copy to:

Anderson Kill & Olick, P.C.
1251 Avenue of the Americas
New York, NY 10020
Attn: Todd E. Duffy, Esq.

14.7 Headings.

The headings used in the Plan are inserted for convenience only, and neither constitute a portion of the Plan nor in any manner affect the construction of the provisions of the Plan.

14.8 Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), the laws of the State of New Mexico, without giving effect to the conflicts of laws principles thereof, shall govern the construction of the Plan and any agreements, documents, and instruments executed in connection with the Plan, except as otherwise expressly provided in such instruments, agreements or documents.

14.9 Expedited Determination.

The Disbursing Agent is hereby authorized to file a request for expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed with respect to the Debtor.

14.10 Exemption from Transfer Taxes.

Pursuant to section 1146 of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, lien, pledge or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection

with the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

14.11 Notice of Entry of Confirmation Order and Relevant Dates.

Promptly upon entry of the Confirmation Order, the Debtor shall publish as directed by the Bankruptcy Court and serve on all known parties in interest and holders of Claims, notice of the entry of the Confirmation Order and all relevant deadlines and dates under the Plan, including, but not limited to, the deadline for filing notice of Administrative Claims, and the deadline for filing rejection damage Claims.

14.12 Interest and Attorneys' Fees.

Interest accrued after the Petition Date will accrue and be paid on Claims only to the extent specifically provided for in this Plan, the Confirmation Order or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as set forth in the Plan or as ordered by the Bankruptcy Court.

14.13 Modification of the Plan.

As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Debtor at any time before confirmation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with section 1125 of the Bankruptcy Code. The Debtor may modify the Plan at any time after confirmation and before substantial consummation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

14.14 Setoff Rights.

In the event that the Debtor has a Claim of any nature whatsoever against the holder of a Claim against the Debtor, then the Debtor may, but is not required to, set off against the Claim (and any payments or other Plan Distributions to be made in respect of such Claim hereunder) against the Debtor's claim against such holder, subject to the provisions of sections 553, 556 and 560 of the Bankruptcy Code. Neither the failure to set off nor the allowance of any Claim under the Plan shall constitute a waiver or release of any Claims that the Debtor may have against the holder of any Claim.

14.15 Compliance with Tax Requirements.

In connection with the Plan, the Debtor and the Disbursing Agent, as applicable, shall comply with all withholding and reporting requirements imposed by federal, state, local, and foreign taxing authorities and all Plan Distributions hereunder shall be subject to such

withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a Plan Distribution shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any government unit, including income, withholding and other tax obligations, on account of such Plan Distribution. The Disbursing Agent has the right, but not the obligation, to not make a Plan Distribution until such holder has made arrangements satisfactory to the Disbursing Agent for payment of any such tax obligations.

14.16 Releases by the Debtor.

(a) As of the Effective Date, for good and valuable consideration, the Debtor in its individual capacity and as Debtor in Possession will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtor or its Estate against (i) the Debtor's present and former officers and directors and any of its employees; and (ii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of the Debtor; provided that nothing in this Section 14.16 shall be construed to release any party or entity from (A) willful misconduct or gross negligence as determined by a Final Order; or (B), subject to Section 7.2(h), any Transferred Causes of Action, each of which is preserved as otherwise set forth in the Plan.

(b) As of the Effective Date, for good and valuable consideration, the Debtor in its individual capacity and as Debtor in Possession will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, the Plan, the Disclosure Statement, or the Letter of Credit Documents and that could have been asserted by or on behalf of the Debtor or its Estate against the Letter of Credit Lender, including, but not limited to, all Avoidance Actions against such Letter of Credit Lender; except, that if the Letter of Credit Lender and the Debtor agree to an alternative treatment pursuant to Section 4.1(b)(ii) of the Plan, nothing in this Section 14.16(b) shall affect the parties' contractual obligations in connection with such alternative treatment.

(c) As of the Effective Date, for good and valuable consideration, the Debtor in its individual capacity and as Debtor in Possession will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the QHR Management Contract, the Chapter 11 Case,

the Plan, or the Disclosure Statement that could have been asserted by or on behalf of the Debtor or its Estate against (a) any QHR Entity, (b) any holder of a Trust Personal Injury Claim and (c) Nautilus, except, that (i) the Debtor shall have the rights set forth in Section 12.3 with respect to the QHR Management Contract and (ii) nothing in this Section 14.16 shall relieve any QHR Entity, any holder of a Trust Personal Injury Claim or Nautilus from its obligations under the Plan or the Global Settlement Documentation.

14.17 Releases by QHR.

As of the Effective Date, for good and valuable consideration, each QHR Entity and each of their respective officers, directors, agents and attorneys will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the QHR Management Contract, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of each such QHR Entity against (a) the Debtor or its Estate, including, without limitation, all QHR Reimbursement, Contribution and Indemnity Claims, (b) any holder of a Trust Personal Injury Claim and (c) Nautilus except, that (i) QHR shall have the rights set forth in Section 12.3 with respect to the QHR Management Contract and (ii) nothing in this Section 14.17 shall relieve the Debtor and its Estate, any holder of a Trust Personal Injury Claim or Nautilus from its obligations under the Plan or the Global Settlement Documentation.

14.18 Voluntary Releases by the Holders of Trust Personal Injury Claims.

As of the Effective Date and pursuant to the Global Settlement, for good and valuable consideration, including, without limitation, the treatment of the Trust Personal Injury Claims set forth herein, each holder of a Trust Personal Injury Claim and each of his or her agents and attorneys will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the QHR Management Contract, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of each such holder of a Trust Personal Injury Claim against (a) the Debtor or its Estate, (b) any QHR Entity, (c) Nautilus and (d) Dr. Schlicht, except, that, nothing in this Section 14.18 shall relieve the Debtor, its Estate, QHR or Nautilus from any of their respective obligations under the Plan or the Global Settlement Documentation, except, further, that the release of QHR set forth herein shall only release the Claims of such holder of Trust Personal Injury Claims against QHR in excess of QHR's insurance coverage.

14.19 Releases by Nautilus.

As of the Effective Date, for good and valuable consideration, pursuant to the Global Settlement, Nautilus and each of its officers, directors, agents and attorneys will be deemed to and shall release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Trust Personal Injury Claims, the Rescission Action, the Coverage Action, the Chapter 11 Case, the Plan, or the Disclosure Statement that could have been asserted by or on behalf of Nautilus against (a) the Debtor or its Estate, (b) any holder of a Trust Personal Injury Claim and (c) any QHR Entity except, that nothing in this Section 14.19 shall relieve the Debtor and its Estate, any holder of a Trust Personal Injury Claim or any QHR Entity from its obligations under the Plan or the Global Settlement Documentation.

14.20 Injunctions.

(a) On the Effective Date and except as otherwise provided in the Plan, all Persons who have been, are, or may be holders of Claims against the Debtor shall be permanently enjoined from taking any of the following actions against or affecting the Debtor, the Estate, the Assets or the Disbursing Agent, or any of their current or former respective members, directors, managers, officers, employees, agents, and professionals, successors and assigns or their respective assets and property with respect to such Claims (other than actions brought to enforce any rights or obligations under the Plan):

(i) **commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, all suits, actions, and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);**

(ii) **enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;**

(iii) **creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and**

(iv) **asserting any setoff, right of subrogation or recoupment of any kind; provided, that any defenses, offsets or counterclaims which the Debtor may have or assert in respect of the above referenced Claims are fully preserved in accordance with Section 14.14.**

14.21 Certain Administrative Matters.

The Debtor shall be entitled to close the Chapter 11 Case prior to the full administration and dissolution of the Personal Injury Trust; except, that the Chapter 11 Case shall be re-opened,

upon the request of the Personal Injury Claims Committee or any holder of a Trust Personal Injury Claim, in the event of a dispute concerning the meaning or administration of the Personal Injury Trust. After the Chapter 11 Case has been closed, nothing in the Plan, including, without limitation, in this Section 14.21, shall prevent the Personal Injury Claims Committee or a holder of a Trust Personal Injury Claim from adjudicating any such disputes in any court of competent jurisdiction.

14.22 Binding Effect.

The Plan shall be binding upon the Debtor, the holders of all Claims and all parties in interest and their respective successors and assigns. To the extent any provision of the Disclosure Statement or any other solicitation document may be inconsistent with the terms of the Plan, the terms of the Plan shall be binding and conclusive.

14.23 Severability.

IN THE EVENT THE BANKRUPTCY COURT DETERMINES THAT ANY PROVISION OF THE PLAN IS UNENFORCEABLE EITHER ON ITS FACE OR AS APPLIED TO ANY CLAIM OR TRANSACTION, THE DEBTOR MAY MODIFY THE PLAN IN ACCORDANCE WITH SECTION 14.13 SO THAT SUCH PROVISION SHALL NOT BE APPLICABLE TO THE HOLDER OF ANY SUCH CLAIM OR TRANSACTION. SUCH A DETERMINATION OF UNENFORCEABILITY SHALL NOT (A) LIMIT OR AFFECT THE ENFORCEABILITY AND OPERATIVE EFFECT OF ANY OTHER PROVISION OF THE PLAN; OR (B) REQUIRE THE RESOLICITATION OF ANY ACCEPTANCE OR REJECTION OF THE PLAN.

14.24 No Admissions.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER CAUSES OF ACTION OR THREATENED CAUSES OF ACTIONS, THIS PLAN SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS PLAN SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, AND OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTOR AND DEBTOR IN POSSESSION IN THIS CHAPTER 11 CASE.

Dated: June 20, 2012

Respectfully submitted,

**OTERO COUNTY HOSPITAL
ASSOCIATION, INC. d/b/a Gerald Champion
Regional Medical Center**

By: /s/ Craig H. Averch

Craig H. Averch

Attorney for the Debtor

EXHIBIT A

GLOSSARY OF DEFINED TERMS

1. “2007A Notes” means those certain Series 2007A Bonds due July 1, 2037, as issued under and pursuant to the Indenture.
2. “2007B Notes” means those certain Series 2007B Bonds due July 1, 2018, as issued under and pursuant to the Indenture.
3. “Administrative Claim” means a Claim incurred by the Debtor (or its Estate) on or after the Petition Date and before the Effective Date for a cost or expense of administration in the Chapter 11 Case entitled to priority under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, Fee Claims.
4. “Affiliate” means, with respect to any Person, all Persons that would fall within the definition assigned to such term in section 101(2) of the Bankruptcy Code, if such Person was a debtor in a case under the Bankruptcy Code.
5. “Alamogordo” means the City of Alamogordo, New Mexico.
6. “Allowance” means the process by which a Claim may become Allowed.
7. “Allowed,” when used
 - (a) with respect to any Claim, except for a Claim that is an Administrative Claim, a Letter of Credit Claim, or a Trust Personal Injury Claim, means such Claim to the extent it is not a Contested Claim or a Disallowed Claim;
 - (b) with respect to an Administrative Claim, means such Administrative Claim to the extent it has become fixed in amount and priority pursuant to the procedures set forth in the Plan;
 - (c) with respect to a Letter of Credit Claim, means such letter of Credit Claim to the extent of the Debtor's reimbursement and other payment obligations to the holder of the Letter of Credit Claim whether or not such obligation is contingent or fixed; and
 - (d) with respect to a Trust Personal Injury Claim, means such Claim to the extent that it is determined to be entitled to distributions by the Personal Injury Trustee pursuant to the mechanism established by the United Tort Plaintiffs in accordance with Section 7.2(f) of the Plan.
8. “Assets” means, all of the Debtor’s right, title and interest of any nature in property of any kind, wherever located, as specified in section 541 of the Bankruptcy Code.
9. “Assumption Objection” has the meaning set forth in Section 12.1(b) of the Plan.
10. “Avoidance Actions” means all Causes of Action of the Estate that arise under chapter 5 of the Bankruptcy Code.

11. “Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as codified at title 11 of the United States Code, as amended from time to time and applicable to the Chapter 11 Case.
12. “Bankruptcy Court” means the United States Bankruptcy Court for the District of New Mexico, or such other court having jurisdiction over the Chapter 11 Case.
13. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as prescribed by the United States Supreme Court pursuant to section 2075 of title 28 of the United States Code and as applicable to the Chapter 11 Case.
14. “Bar Date” means date fixed by the Bankruptcy Court pursuant to the Bar Date Order as the last day for filing proofs of claim.
15. “Bar Date Notice” means the Notice of Deadlines and Bar Date for Filing Proofs of Claim, as approved by the Bar Date Order.
16. “Bar Date Order” means the Order Pursuant to Bankruptcy Rules 2002 and 3003 (i) Establishing Bar Dates for Filing Certain Proofs of Claim; (ii) Establishing Ramifications for Failure to Comply Therewith; (iii) Approving Proof of Claim Form and Notice of Bar Date; and (iv) Approving Publication Notice and Publication Procedures, entered by the Bankruptcy Court in this Chapter 11 Case.
17. “Bryant Reimbursement, Contribution and Indemnity Claims” means all Claims of Dr. Frank Bryant and any of his Affiliates against Debtor, whenever arising, including, without limitation, for indemnity, reimbursement or contribution, whether contractual in nature or arising under any common or statutory law, including, without limitation, any Claims on account of the Trust Personal Injury Claims and the Transferred Causes of Action.
18. “Bryant Settlement” means the settlement by and between the Debtor and Dr. Bryant filed with the Court on June 15, 2012, providing for a mutual release of Claims.
19. “Business Day” means any day other than a Saturday, a Sunday or any other day on which commercial banks are required or authorized to close for business in Albuquerque, New Mexico.
20. “Cash” means legal tender of the United States of America (including in the form of checks) or readily marketable direct obligations of, or obligations guaranteed by, the United States of America.
21. “Causes of Action” means all claims, rights, actions, causes of action, liabilities, obligations, suits, debts, remedies, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages or judgments, whether known or unknown, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, asserted or unasserted, arising in law, equity or otherwise.
22. “Chapter 11 Case” means the case commenced under chapter 11 of the Bankruptcy Code pending before the Bankruptcy Court with respect to the Debtor.

23. “Claim” means (a) any right to payment, whether or not such right is known or unknown, reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment, whether or not such right to an equitable remedy is known or unknown, reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. For avoidance of doubt, “Claim” includes, without limitation, a right to payment, or equitable relief that gives rise to a right to payment, that has or has not accrued under non-bankruptcy law that is created by one or more acts or omissions of the Debtor if: (a) the act(s) or omission(s) occurred before or at the time of the Effective Date; (b) the act(s) or omission(s) may be sufficient to establish liability when injuries and/or damages are manifested; or (c) at the time of the Effective Date, the Debtor has received one or more demands for payment for injuries or damages arising from such acts or omissions.

24. “Collective Bargaining Agreement” means the Articles of Agreement 2010-2013 between the Debtor and Carpenters Industrial Counsel, United Brotherhood of Carpenters and Joiners of America, Professional Performance Committee, Local Union #2088.

25. “Confirmation Date” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

26. “Confirmation Hearing” means the hearing held by the Bankruptcy Court, as it may be continued from time to time, to consider confirmation of the Plan.

27. “Confirmation Order” means the order of the Bankruptcy Court confirming the Plan.

28. “Contested” when used with respect to a Claim, means such Claim (a) to the extent it is listed in the Debtor’s Schedules as disputed, contingent, or unliquidated, in whole or in part, and as to which no proof of claim has been filed; (b) if it is listed in the Debtor’s Schedules as undisputed, liquidated, and not contingent and as to which a proof of claim has been filed with the Bankruptcy Court, to the extent (i) the proof of claim amount exceeds the amount indicated in the Debtor’s Schedules; or (ii) the proof of claim priority differs from the priority set forth in the Debtor’s Schedules, in each case as to which an objection was filed on or before the Objection Deadline, unless and to the extent allowed in amount and/or priority by a Final Order of the Bankruptcy Court; (c) if it is not listed in the Debtor’s Schedules or was listed in the Debtor’s Schedules as disputed, contingent or unliquidated, in whole or in part, but as to which a proof of claim has been filed with the Bankruptcy Court, in each case as to which an objection was filed on or before the Objection Deadline, unless and to the extent allowed in amount and/or priority by a Final Order of the Bankruptcy Court; or (d) as to which an objection has been filed on or before the Effective Date; provided, that a Claim that is fixed in amount and priority pursuant to the Plan or by Final Order on or before the Effective Date shall not be a Contested Claim.

29. “Coverage Action” means the adversary proceeding styled Otero County Hospital Association, Inc. v. Nautilus Insurance Co., Case No. 12-01002-j pending in the Bankruptcy Court.

30. “Creditors’ Committee” means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Case.

31. “Debtor” means Otero County Hospital Association, Inc., d/b/a Gerald Champion Regional Medical Center, d/b/a Mountain View Catering, a non-profit corporation organized under the laws of the State of New Mexico.

32. “Debtor in Possession” means the Debtor, in its capacity as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

33. “Debtor’s Schedules” means the schedules of assets and liabilities and the statements of financial affairs filed by the Debtor with the Bankruptcy Court, as required by section 521 of the Bankruptcy Code and in conformity with the Official Bankruptcy Forms of the Bankruptcy Rules, as such schedules and statements have been or may be amended or supplemented by the Debtor in Possession from time to time in accordance with Bankruptcy Rule 1009.

34. “Debtor’s Settlement Amount” shall mean an amount equal to \$7,500,000

35. “Disallowed” when used with respect to a Claim, means a Claim, or such portion of a Claim, that has been disallowed by a Final Order.

36. “Disbursing Agent” means, with respect to Trust Personal Injury Claims and the Non-QHR Reimbursement, Contribution and Indemnity Claims, the Personal Injury Trustee and, with respect to all other Claims, the Debtor or, in each case, any agent selected by the Personal Injury Trustee or the Debtor, as applicable, acting to (a) make the Plan Distributions contemplated under the Plan, the Confirmation Order, or any other relevant Final Order; and (b) perform any other act or task that is or may be delegated to the Disbursing Agent under the Plan.

37. “Disclosure Statement” means the disclosure statement filed with respect to the Plan, as it may be amended, supplemented, or otherwise modified from time to time, and the exhibits and schedules thereto.

38. “Dr. Bryant” means Dr. Frank Bryant.

39. “Dr. Schlicht” means Dr. Christian Schlicht.

40. “Effective Date” means a date selected by the Debtor which shall be a Business Day that is no later than five (5) Business Days after all of the conditions specified in Section 11.2 have been satisfied or waived (to the extent waivable).

41. “Employee Obligations” means all of the Debtor’s (a) employee benefit plans and programs in effect immediately prior to the Effective Date, and (b) all ordinary course compensation obligations incurred to its employees in the ordinary course of its business. In the interest of clarity, the term “Employee Obligations” shall not include any Claims or obligations of the Debtor to its employees other than ordinary course employee benefit and compensation obligations. Without limiting the generality of the foregoing, the “Employee Obligations” shall not include any Claims on account of any purported breaches of any applicable employment laws, which, in each case, shall be treated as Unsecured Claims hereunder, if Allowed.

42. “Estate” means the estate of the Debtor created by section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.
43. “Exit Financing” has the meaning set forth in Section 7.6 of the Plan.
44. “Fee Application” means an application for allowance and payment of a Fee Claim (including Claims for “substantial contribution” pursuant to section 503(b) of the Bankruptcy Code).
45. “Fee Claim” means a Claim of a Professional Person.
46. “Final Order” means (a) an order or judgment of the Bankruptcy Court or any other court or adjudicative body as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending; or (b) in the event that an appeal, writ of certiorari, reargument, or rehearing thereof has been sought, such order of the Bankruptcy Court or any other court or adjudicative body shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, that no order shall fail to be a Final Order solely because of the possibility that a motion pursuant to section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or Bankruptcy Rule 9024 may be filed with respect to such order.
47. “Global Settlement” means the global settlement agreed to by the Debtor, the QHR Entities, the United Tort Claimants and Nautilus pursuant to the mediation ordered by the Bankruptcy Court in the Chapter 11 Case as set forth in the Global Settlement Documentation.
48. “Global Settlement Documentation” means the term sheet and other documents attached hereto as Exhibit C and any other agreement or document evidencing the Global Settlement.
49. “Glossary of Defined Terms” means this Exhibit A of the Plan.
50. “Indenture” means the Trust Indenture dated as of November 1, 2007 between Alamogordo, as issuer and the Bank of New York Trust Company, N.A., as trustee with respect to the 2007A Notes and the 2007B Notes.
51. “Lease Agreement” means the Lease Agreement dated as of November 1, 2007 between Alamogordo and the Debtor.
52. “Letter of Credit” means Irrevocable Letter of Credit No. 3089736 issued by the Letter of Credit Lender in connection with the Indenture.
53. “Letter of Credit Claims” means the Claims of the Letter of Credit Lender under or in connection with the Letter of Credit Documents.
54. “Letter of Credit Documents” means the Indenture, the 2007A Notes, the 2007B Notes, the Lease Agreement, the Letter of Credit and Reimbursement Agreement, the Letter of Credit,

the Letter of Credit Mortgage, the Letter of Credit Security Agreement, the Letter of Credit Environmental Indemnity Agreement and any other documents, financing statements or other agreements connected therewith.

55. “Letter of Credit Environmental Indemnity Agreement” means the Environmental Indemnity Agreement dated as November 1, 2007 between the Debtor and the Letter of Credit Lender.

56. “Letter of Credit Lender” means Bank of America, N.A., in its capacity as the issuer of a letter of credit to secure the 2007A Notes and 2007B Notes.

57. “Letter of Credit Mortgage” means the Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Statement dated as of November 1, 2007 between the Debtor and the Letter of Credit Lender.

58. “Letter of Credit Security Agreement” means the Security Agreement dated as of October 1, 2007 between the Debtor and the Letter of Credit Lender.

59. “Nautilus” means Nautilus Insurance Company.

60. “Nautilus Policies” means, collectively, (a) Healthcare Professional Liability Policy Number PFP_1000034_P-3, effective April 9, 2010 to April 9, 2011; and (b) Health Care Excess Liability Policy Number CFX_1000010_P-3, effective April 9, 2010 to April 9, 2011, in each case issued to named insured Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center by Nautilus.

61. “New Patient Tower” means the addition to the Hospital constructed by Robins & Morton pursuant to the Standard Form Agreement dated March 29, 2010 between the Debtor and Robins & Morton.

62. “Non-QHR Reimbursement, Contribution and Indemnity Claims” means, collectively, the Bryant Reimbursement, Contribution and Indemnity Claims and the Third Party Reimbursement, Contribution and Indemnity Claims.

63. “Notice of Confirmation” means the notice of entry of the Confirmation Order to be filed with the Bankruptcy Court and mailed to holders of Claims by the claims, noticing, and balloting agent appointed in the Chapter 11 Case pursuant to section 156(c) of title 28 of the United States Code.

64. “Objection Deadline” means the deadline for filing objections to Claims as set forth in Section 10.2 of the Plan.

65. “Omitted Assumed Contract” has the meaning set forth in Section 12.1(a) of this Plan.

66. “Other Personal Injury Claims” means all Claims against the Debtor, whenever arising, sounding in tort for personal injury and/or malpractice, including, without limitation, physical and economic injuries resulting from or related to medical care provided by the Debtor or any of its employees or associated physicians, whether or not a proof of claim with respect to any such

Claims was filed, except for (a) any such Claim held by a Person who has agreed to limit its recoveries to available insurance; and (b) Trust Personal Injury Claims.

67. “Person” means an individual, corporation, partnership, limited liability company, joint venture, trust, estate, unincorporated association, unincorporated organization, governmental entity, or political subdivision thereof, or any other entity.

68. “Personal Injury Claims Committee” means the committee of representatives of the holders of Trust Personal Injury Claims established pursuant to Section 7.3(c) of the Plan.

69. “Personal Injury Trust” means the trust to be created pursuant to Section 7.2 of the Plan for the benefit of the holders of Trust Personal Injury Claims.

70. “Personal Injury Trustee” means the Person selected by the holders of Trust Personal Injury Claims to serve as the initial trustee under the Personal Injury Trust Declaration.

71. “Personal Injury Trust Declaration” means the declaration of trust to be entered into by the Debtor and the Personal Injury Trustee on the Effective Date. The Personal Injury Trust Declaration shall be in substantially the form filed with the Bankruptcy Court as a Plan Document.

72. “Personal Injury Trust Interests” means the beneficial interests in the Personal Injury Trust to be distributed to the holders of Trust Personal Injury Claims pursuant to the Plan.

73. “Personal Injury Trust Note” means a promissory note issued by the Debtor for the benefit of the Personal Injury Trust requiring the Debtor to pay the Debtor’s Settlement Amount in thirty-six (36) equal monthly installments of \$208,333.33, commencing on the Effective Date.

74. “Personal Injury Trust Property” means all of the assets held at any time by the Personal Injury Trust, including, without limitation, the Personal Injury Trust Note, the Transferred Causes of Action (subject to Section 7.2(h)) and any proceeds thereof.

75. “Petition Date” means August 16, 2011.

76. “Plan” means this chapter 11 plan, either in its present form or as it may be amended, supplemented, or otherwise modified from time to time, and the exhibits and schedules hereto, as the same may be in effect at the time such reference becomes operative.

77. “Plan Distribution” means the payment or distribution under the Plan of Cash, Assets, securities or instruments evidencing an obligation under the Plan to the holder of an Allowed Claim.

78. “Plan Distribution Date” means with respect to any Claim, (a) the Effective Date or a date that is as soon as reasonably practicable after the Effective Date, if such Claim is then an Allowed Claim; or (b) a date that is as soon as reasonably practicable after the date such Claim becomes Allowed, if not Allowed on the Effective Date.

79. “Plan Documents” means the documents that aid in effectuating the Plan as specifically identified as such herein and filed with the Bankruptcy Court as specified in Section 1.5 of the Plan including, without limitation, the Personal Injury Trust Declaration.
80. “Priority Claim” means any Claim to the extent such Claim is entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than Secured Claims, Administrative Claims, Tax Claims, Letter of Credit Claims and Employee Obligations.
81. “Professional Person” means a Person retained or to be compensated for services rendered or costs incurred on or after the Petition Date and on or prior to the Effective Date pursuant to sections 327, 328, 329, 330, 331, 503(b), or 1103 of the Bankruptcy Code in the Chapter 11 Case.
82. “QHR” means Quorum Health Resources, LLC.
83. “QHR Claims” means, collectively, all Claims of each QHR Entity against the Debtor and any of its Affiliates arising on or before the Effective Date, including, without limitation, the QHR Reimbursement, Contribution and Indemnity Claims.
84. “QHR Entity” means each of QHR and any of its Affiliates in any way connected with the Debtor, including, without limitation, Community Health Systems, Inc., Triad Healthcare Corporation and Triad Hospitals, Inc.
85. “QHR Investigation” means the investigation being conducted by the Creditors’ Committee concerning the Debtor’s potential Claims against QHR.
86. “QHR Management Contract” means that certain Agreement for Hospital Administrative Services entered into on November 30, 2005, by and among the Debtor and QHR, as from time to time amended, modified, and extended.
87. “QHR Reimbursement, Contribution and Indemnity Claims” means all Claims against Debtor, whenever arising, held by QHR for indemnity, reimbursement or contribution, whether under the QHR Management Contract or under any other contractual provision or arising under any common or statutory law, including, without limitation, any Claims on account of the Trust Personal Injury Claims.
88. “Reimbursement Agreement” means the Letter of Credit and Reimbursement Agreement dated as of November 1, 2007 between the Letter of Credit Lender and the Debtor.
89. “Rescission Action” means the action styled Nautilus Insurance Co. v. Otero County Hospital Association, Inc., Case No. 11-178 pending in the United States District Court for the District of New Mexico.
90. “Robins & Morton” means the Robins & Morton Group.
91. “Robins & Morton Claim” means the Claim of Robins & Morton against the Debtor in connection with the construction of the New Patient Tower.

92. “Schedule of Assumed Executory Contracts and Unexpired Leases” means the schedule to be filed by the Debtor with the Bankruptcy Court as part of the Disclosure Statement, as may from time to time be amended at any time prior to the commencement of the Confirmation Hearing, (i) identifying each contract and lease the Debtor seeks to assume pursuant to Section 12.1 of the Plan (other than any Omitted Assumed Contract); and (ii) the Debtor’s proposed cure amount in respect of each contract and lease identified in such schedule, if any.

93. “Schedule of Rejected Executory Contracts and Unexpired Leases” means the schedule to be filed by the Debtor with the Bankruptcy Court as part of the Disclosure Statement, as may from time to time be amended at any time prior to the commencement of the Confirmation Hearing, identifying each contract and lease the Debtor seeks to reject pursuant to Section 12.1 of the Plan.

94. “Secured Claim” means (a) a Claim (other than the Letter of Credit Claim and Robins & Morton Claim) secured by a lien on any Assets, which lien is valid, perfected, and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, and which is duly established in the Chapter 11 Case, but only to the extent of the value of the holder’s interest in the collateral that secures payment of the Claim; (b) a Claim against the Debtor that is subject to a valid right of recoupment or setoff under section 553 of the Bankruptcy Code, but only to the extent of the Allowed amount subject to recoupment or setoff as provided in section 506(a) of the Bankruptcy Code; and (c) a Claim deemed or treated under the Plan as a Secured Claim; provided, however, that, to the extent that the value of such interest is less than the amount of the Claim which has the benefit of such security, the unsecured portion of such Claim shall be treated as an Unsecured Claim unless, in any such case the class of which Claim is a part makes a valid and timely election in accordance with section 1111(b) of the Bankruptcy Code to have such Claim treated as a Secured Claim to the extent Allowed.

95. “Subordinated Claims” means, collectively, all Claims that either (a) have been subordinated to Unsecured Claims pursuant to section 510(c) of the Bankruptcy Code by a Final Order; or (b) were filed with the Bankruptcy Court after the applicable claims bar date.

96. “Tax Claim” means a Claim against the Debtor that is of a kind specified in section 507(a)(8) of the Bankruptcy Code.

97. “Third Party Reimbursement, Contribution and Indemnity Claims” means any Claims, whenever arising, held by third party insurance providers against the Debtor for indemnity, reimbursement and contribution on account of payments made in respect of Trust Personal Injury Claims, including, without limitation, any such indemnity, reimbursement and contribution Claims held by Medicare.

98. “Transferred Causes of Action” means all of the Debtor’s Causes of Action against Dr. Frank Bryant and any of his Affiliates, including, without limitation, any Causes of Action pursuant to section 510(c) of the Bankruptcy Code.

99. “Trust Personal Injury Claimants” means the Persons listed, specifically or by reference, on Exhibit B of this Plan.

100. “Trust Personal Injury Claims” means all Claims held by the Trust Personal Injury Claimants, arising on or before the Bar Date, including, without limitation, personal injury Claims for physical and economic injuries resulting from, related to or in connection with medical care provided by the Debtor or any of its employees or associated physicians whether or not a proof of claim with respect to any such Claims was filed, including, without limitation, Claims for malpractice.

101. “United Tort Claimants” means the holders of Trust Personal Injury Claims represented in the past, present and future by Volk, Poulos & Coates, Felicia Weingartner, Denise Torres, Lisa Curtis, Gregg Kauffman and Barney Given.

102. “Unsecured Claim” means any Claim against the Debtor other than an Administrative Claim, the Robins & Morton Claim, a Priority Claim, a Tax Claim, a Secured Claim, a Trust Personal Injury Claim, a Non-QHR Reimbursement, Contribution and Indemnity Claim, a QHR Claim, a Subordinated Claim or the Letter of Credit Claim.

103. “Voting Deadline” means July 26, 2012, the date set by the Bankruptcy Court pursuant to Rule 3017 and Rule 3018, establishing the last day to vote to accept or reject the Plan.

EXHIBIT B

HOLDERS OF TRUST PERSONAL INJURY CLAIMS

Ray Bailey	Paul Houston	James Silva
Kathleen Bailey	Shirley Huebert	Phillip Ray Simmons, Sr.
Laurie K. Baker	Lorraine Hutchings	Desiree Smith
Ronald Baker	Ivan Jackson	Henry Smith
Phillis Barnett	Nancy Jonsson	Mark A. Stewart
Janice Bergeron	Anabelle Sim Lindley	Paul Strunk
Ann Berry	Jearl Lindley, M.D., J.D.	Tom T. Sullivan
James R. Boren	Peter Luna	Pat Sullivan
Rodney Bunsen	Jennifer Luna	Catherine Swanson
David L. Burton	Makayla Luna	Melvin Swanson
Helen Burton	Maria Luna	Kathy J. Swope
Mary Jane Calloway	Cecil Lunceford	Jimmy L. Swope
Robert Calloway	Gayle Lunceford	Alice Tompkins
Edna O. Chavez	Melissa Mackechnie	Val L. Turnbull, Jr.
John I. Chavez	Gilbert C. Marquez	Carel Turnbull
Tony S. Chavez	Marie Marquez	Shirley Walls
Rita Chavez	Manuel Martinez	Jerome Ward
Maria Nora Coyazo	Darleen Martinez	David Warden
Theresa Crawford	Michael McCullough	Ronald Whiteley
James Cross	Linda McKinney	Marilyn Whiteley
Wanda Cross	William Mills	Douglas Whittaker
Joel Crossno	Connie Mills	Veronica Whittaker
Vivian Crossno	Shirley Modisett	Victor Wilkerson
Marjorie Curtis	Edna Morton	
April Douthitt-Dugger	Wiley Munsey	Marlene Pellman
Charles B. Dugger III	Ann Munsey	Sharon Degner
Lavine M. Durden	John F. O'Byrne	Ray Sanchez
Cynthia Fender	Laverne O'Byrne	
James Fender	Thomas Olive	Sandra J. East, both
Judy Ann Ferguson	Barbara Olson	individually and as personal
Otis Ferguson	Mary M. Quappe	representative of the estate
Dale Fox	David Quappe	of Stanley B. East, deceased
Phyllis Fox	Barbara A. Pace	
Mickie Francis	James Pace	<u>AND</u> any other Person
Darrell Gilmore	Kelly Robbins	asserting a Claim on
Susan Gilmore	Kelly Robertson	account of (a) having
Frank Guerrero	William Rogers	undergone; or (b) a family
Kent L. Gwynne, Ph. D.	Patricia E. Rue	member having undergone a
Elizabeth Gwynne, Ph. D.	Gary T. Rue	procedure performed by Dr.
Estate of Alonzo A. Hall	Chrystal Sauls	Christian Schlicht and/or
Mela Herrera	Susan Schwarzenegger	Dr. Frank Bryant.
Jake Herrera	Glenneth Shafer	
Linda Hoefler	Joe Shafer	

Exhibit C

TERM SHEET

All persons identified in Exhibit B to the proposed Chapter 11 Plan of Reorganization for Otero County Hospital Association, Inc., some or all of whom have filed Proofs of Claim in the Gerald Champion Regional Medical Center ("GCRMC") Chapter 11 bankruptcy, and who are referred to here as the United Tort Claimants ("UTC"), hereby agree with Quorum Health Resources, LLC ("QHR"), CHS/Community Health Systems, Inc., Community Health Systems Professional Services Corporation, Triad Health Corporation, Community Health Systems, Inc. and all of their direct and indirect parents and subsidiaries and affiliates ("CHS Entities"), Nautilus Insurance Company ("Nautilus") and GCRMC to settle all claims among them on the following terms:

1. GCRMC, Nautilus and QHR will pay \$21 million to the UTC, \$8.45 million of which will be paid by Nautilus, \$7.5 million of which will be paid by GCRMC, and \$5.05 million of which will be paid by QHR. GCRMC may pay its contribution over three years. (Bankruptcy lawyers to agree on language re where the money is to be paid.) The term "Personal Injury Claims" shall mean, collectively, the UTC's bodily injury claims arising from surgeries performed by Frank Bryant and/or Christian Schlicht, claims of mismanagement however captioned, and any and all related or derivative claims.
2. QHR will request that its insurers Lexington Insurance Company ("Lexington") and Ironshore Insurance Company ("Ironshore") consent to transfer to the UTC QHR's rights to coverage under the policies arising from the Personal Claims.
3. Except as stated in this paragraph, QHR will make no representations about the ~~excess~~ policies issued by Lexington and Ironshore ("Policies"), and will not represent that there is or might be coverage under the Policies under any circumstances, and will not represent that all conditions to coverage have been or might be satisfied. However, QHR will represent that:
 - a. It has paid all premiums for the Policies.
 - b. To the best of QHR's knowledge, the limits of the Policies have not been eroded by any other claim as of this date.
 - c. QHR has taken the position with Lexington and Ironshore that all applicable self-insured retentions have been satisfied with respect to the Personal Injury Claims.
 - d. QHR received a November 2, 2011 letter from Nautilus concerning payment of its limits, which QHR will produce to the UTC upon Nautilus' consent.
 - e. On October 7, 2011, the UTC made an oral settlement demand upon QHR to settle the Personal Injury Claims for the limits of the Nautilus policies and the Lexington/Ironshore Policies, and QHR received a letter from the UTC dated October 27, 2011 stating this demand. QHR demanded that Lexington and Ironshore pay this demand. Lexington and Ironshore refused.
 - f. QHR received a February 15, 2012 letter from the UTC demanding to settle the Personal Injury Claims for the limits of the Nautilus policies and the Lexington/Ironshore Policies. QHR demanded that Lexington and Ironshore pay this demand. Lexington and Ironshore refused.

Handwritten notes and signatures:
 J. H.
 2.12
 [Initials]

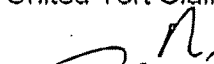
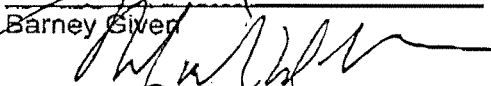
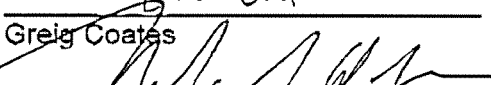
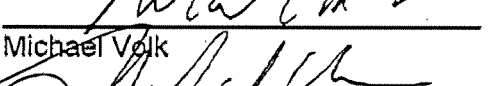
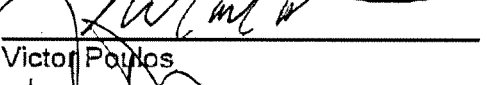
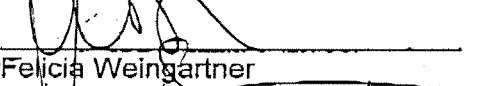
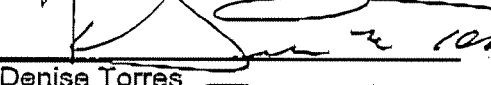
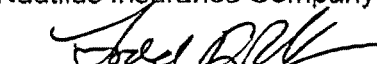
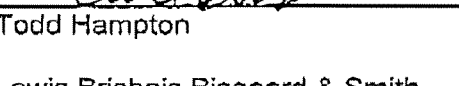


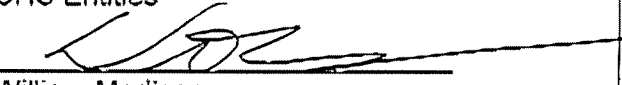
- from parties other than GCRMC
- 4-1. QHR will agree not to oppose the UTC's motion to intervene in *CHS/Community Health Systems, Inc.; Triad Healthcare Corporation v. Lexington Insurance Company; Ironshore Insurance Company*, U.S.D.C. for the M.D. Tn. No. 3-11-0449, consolidated with *Quorum Health Resources, LLC v. Lexington Insurance Company; Ironshore Insurance Company*, U.S.D.C. for the M.D. Tn. No. 3-12-0248 (collectively, "the Coverage Action").
 - 5-2. The UTC will release GCRMC, Schlicht and Nautilus for all of the Personal Injury Claims at the times full payments are made by each.
 - 6-3. The UTC will agree to consolidate all of the Personal Injury Claims for discovery, pre-trial litigation and trial in a single forum. QHR will defend the Personal Injury Claims on their merits.
 - 7-4. Once Nautilus pays its policy limits under this settlement, Nautilus policy limits will be deemed exhausted, its duty to defend shall end, and QHR will tender its defense of the Personal Injury Claims to Lexington and Ironshore. QHR's defense costs will erode the limits of the Policies.
 - 8-5. The UTC will agree that, should any of the UTC recover a judgment against QHR on any of the Personal Injury Claims, the UTC will enforce all such judgments against the available insurance only, and not against the assets of QHR. The UTC will give QHR a release of all claims, however captioned, for liability on the Personal Injury Claims in excess of QHR's insurance.
 - 9-6. QHR and GCRMC will give each other general releases of all claims. GCRMC, QHR, Schlicht and other Nautilus insureds shall provide it unconditional policy releases upon Nautilus' payment hereunder. *on the terms and conditions set forth in Paragraph 1 of this Term Sheet.*
 - 10-7. The \$7.5 million payable by GCRMC herein will be paid into a litigation trust established by the debtor's proposed plan of reorganization ~~upon the effective date of the plan~~. The remaining payments shall be made within 15 days after the entry of any final nonappealable order by the Bankruptcy Court that grants QHR a full and final release of all claims by GCRMC against QHR. *dismissed*
 - 11-8. All CHS Entities are ~~dismissed~~ with prejudice. Any litigation involving Nautilus shall also be dismissed with prejudice.
 - 12-9. The parties will enter into a more complete agreement documenting this settlement, including national database reporting issues and liabilities for Medicare/liens.
 - 13-10. GCRMC agrees to file an amended Plan and Disclosure Statement by May 23, 2012. GCRMC shall use its best efforts to obtain approval of the Disclosure Statement by June 30, 2012 and confirmation and effective date of the corresponding Plan by July 31, 2012.

The foregoing is contingent upon:

1. Approval of the Bankruptcy Court and confirmation of the GCRMC Plan of Reorganization. *and effectiveness*

2. The UTC's counsel warrant that they do not currently represent or know of any other claimant or plaintiff with claims in any way relating to the Personal Injury Claims who is not part of the UTC.
3. Lexington's agreement to defend QHR against the Personal Injury Claims under a full reservation of rights once Nautilus makes its payment under this Term Sheet, without waiver of defenses it has raised in the Coverage Action. If Lexington does not so agree by 5:00 p.m. on May 17, 2012, this Term Sheet shall be null and void.

SO AGREED, ON MAY 16, 2012

<p>United Tort Claimants:</p> <p> Barney Given</p> <p> Greig Coates</p> <p> Michael Volk</p> <p> Victor Poulos</p> <p> Felicia Weingartner</p> <p> Denise Torres</p> <p> Lisa Curtis</p>	<p>Nautilus Insurance Company</p> <p> Todd Hampton</p> <p>Lewis Brisbois Bisgaard & Smith</p> <p> George J. Manos</p>
<p>ANDERSON KILL WOOD & BENDER</p> <p> David E. Wood Counsel for Quorum Health Resources, LLC</p>	<p>Gerald Champion Regional Medical Center</p> <p> John Wheeler Counsel for Gerald Champion Regional Medical Center</p>
<p>CHS Entities</p> <p> William Madison Counsel for CHS Entities</p>	

WAIVER OF DEFENSE CONDITION
TO MAY 16, 2012 TERM SHEET

On May 16, 2012, Quorum Health Resources, LLC ("QHR"), all persons identified in Exhibit B to the proposed Chapter 11 Plan of Reorganization for Otero County Hospital Association, Inc. filed on May 7, 2012 in the United States Bankruptcy Court for the District of New Mexico, some or all of whom have filed Proofs of Claim in the Gerald Champion Regional Medical Center ("GCRMC") Chapter 11 bankruptcy, and who are referred to here as the United Tort Claimants ("UTC"), CHS/Community Health Systems, Inc., Community Health Systems Professional Services Corporation, Triad Health Corporation, Community Health Systems, Inc. and all of their direct and indirect parents and subsidiaries and affiliates ("CHS Entities"), Nautilus Insurance Company and GCRMC entered into a Term Sheet in a Rule 16 conference before Hon. Alan Torgerson.

1. The Term Sheet was subject to the following Condition No. 3:

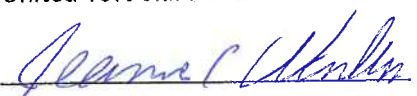
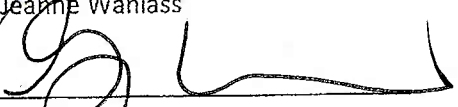
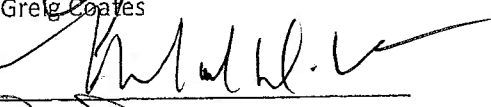

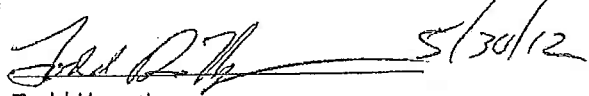
Lexington's agreement to defend QHR against the Personal Injury Claims under a full reservation of rights once Nautilus makes its payment under this Term Sheet, without waiver of defenses it has raised in the Coverage Action. If Lexington does not so agree by 5:00 p.m. on May 17, 2012, this Term Sheet shall be null and void.

The parties to the Term Sheet agree that this condition has been removed.

2. The Term Sheet included the following covenant:

The UTC will agree to consolidate all of the Personal Injury Claims for discovery, pre-trial litigation and trial in a single forum. QHR will defend the Personal Injury Claims on their merits.

The parties to the Term Sheet agree that this covenant is deleted from the Term Sheet.

<p>United Tort Claimants:</p> <div style="margin-top: 10px;"> _____ Jeanne Wanlass</div> <div style="margin-top: 10px;"> _____ Greg Coates</div> <div style="margin-top: 10px;"> _____ Michael Volk</div> <div style="margin-top: 10px;"> _____ Felicia Weingartner</div>	<p>Nautilus Insurance Company</p> <div style="margin-top: 10px;"> _____ Todd Hampton</div> <div style="text-align: right; margin-top: 10px;">5/30/12</div>
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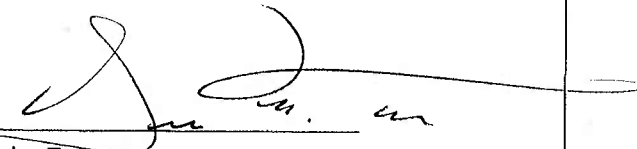
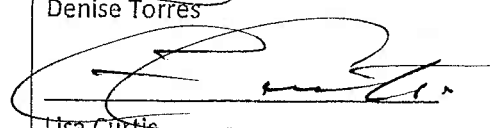
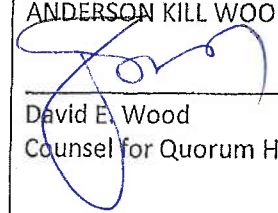
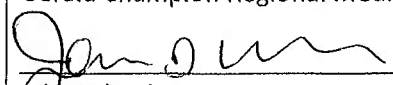
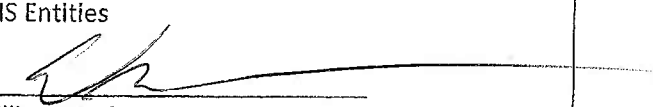
 Denise Torres  Lisa Curtis	
ANDERSON KILL WOOD & BENDER  David E. Wood Counsel for Quorum Health Resources, LLC	Gerald Champion Regional Medical Center  John Wheeler Counsel for Gerald Champion Regional Medical Center
CHS Entities  William Madison Counsel for CHS Entities	

Exhibit B

[As-entered Disclosure Statement Order to be inserted here]

Exhibit C

Gerald Champion Regional Medical Center
Three Year Cash Flow Projection

	<u>Three Month Periods Ended</u>												
	Oct. 2012	Jan. 2013	April 2013	July 2013	Oct. 2013	Jan. 2014	April 2014	July 2014	Oct. 2014	Jan. 2015	April 2015	July 2015	Total
Beginning Cash	\$ 16,453,758	24,364,891	24,433,630	25,030,242	25,244,800	25,564,679	25,987,832	26,838,741	27,257,477	27,801,131	28,397,094	29,420,678	\$ 16,453,758
Receipts													
Patient Receipts	27,911,788	27,674,807	28,030,010	27,063,888	27,911,788	27,674,807	28,030,010	27,063,888	27,911,788	27,674,807	28,030,010	26,777,978	331,755,569
Other Receipts	632,220	651,294	649,321	674,020	632,220	651,294	649,321	674,020	632,220	651,294	649,321	708,242	7,854,787
Net Exit Financing Proceeds	13,804,478	0	0	0	0	0	0	0	0	0	0	0	13,804,478
Total Receipts	42,348,486	28,326,101	28,679,331	27,737,908	28,544,008	28,326,101	28,679,331	27,737,908	28,544,008	28,326,101	28,679,331	27,486,220	353,414,834
Operating Disbursements	26,536,105	26,257,651	26,187,579	25,683,911	26,536,105	26,257,651	26,187,579	25,683,911	26,536,105	26,257,651	26,187,579	25,338,684	313,650,514
Non-Operating Disbursements	195,255	202,412	197,840	192,140	204,515	211,788	207,334	201,752	214,248	222,487	218,167	212,722	2,480,661
Capital Expenditures	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	7,500,000
Reorganization Disbursements													
Reorganization	750,000	250,000	150,000	100,000	50,000	0	0	0	0	0	0	0	1,300,000
Effective Date Payments	5,838,866	0	0	0	0	0	0	0	0	0	0	0	5,838,866
Personal Injury Note Payments	416,266	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	7,291,266
Robins & Morton	75,860	113,790	113,790	113,790	0	0	0	0	0	0	0	0	417,230
Unsecured Creditors	0	183,509	183,509	183,509	183,509	183,509	183,509	183,509	0	0	0	0	1,284,563
Total Reorganization Disbursements	7,080,992	1,172,299	1,072,299	1,022,299	858,509	808,509	808,509	808,509	625,000	625,000	625,000	625,000	16,131,925
Ending Cash Balance	\$ 24,364,891	24,433,630	25,030,242	25,244,800	25,564,679	25,987,832	26,838,741	27,257,477	27,801,131	28,397,094	29,420,678	30,105,493	\$ 30,105,493

Assumptions and Notes in respect of the Disclosure Statement Projections

1. The Effective Date will occur on August 1, 2012.
2. The Plan provides sufficient cash flow to maintain compliance with expected Exit Financing Covenants, including that the Debtor maintain 75 Days Cash On Hand.
3. The projections provide data by quarterly periods ending October 31st, January 31st, April 30th, and July 31st even though some payments are made on a monthly basis.
4. The Debtor will close the Exit Financing on August 1, 2012.
5. Exit Financing payments are projected at approximately \$280,000 per month based on a 6.5% interest rate.
6. Operating Disbursements include payments in respect of the Exit Financing and are based on the Debtor's current budget.
7. Capital Expenditures assumes replacement of existing equipment as needed based on normal wear and tear.
8. Net Exit Financing Proceeds are \$13,540,000 based on the following

Principal Amount of Exit Financing	\$50,000,000
Underwriters Commission at 1.5%	\$(750,000)
Bond Attorney Fees	\$(100,000)
Pay off of Letter of Credit Claims	\$(35,610,000)
Net Proceeds From Exit Financing	\$13,540,000

9. Payments expected:

Effective Date Payments:

Vendor Cure Payments (net of \$350,000 of security deposits)	\$3,314,478
Administrative Claims	\$2,100,000
1st Payment on Personal Injury Trust Note	\$208,333
1st Payment to Unsecured Creditors	\$178,125
1st Payment to Robins & Morton	\$37,930
Total Effective Date Expenditures	\$5,838,866.00

Recurring Payments:

Monthly Personal Injury Note payment	\$208,333
Robins & Morton monthly payments	\$37,930
Unsecured Creditor quarterly installment payments	\$183,509

Exhibit D

GERALD CHAMPION REGIONAL MEDICAL CENTER
Interim Unaudited Financial Statements

TABLE OF CONTENTS
May 2012

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A. Consolidated Balance Sheet	1
B. Consolidating Statements of Operations and Changes in Net Assets	2
C. Hospital Statistics.....	3
D. Hospital Financial Indicators	4

Gerald Champion Regional Medical Center

Interim Consolidated Balance Sheet

as of May 31, 2012 and June 30, 2011

	Current Period (unaudited)					Audited 6/30/2011
	Combined	ASV	Total	Eliminations	Consolidated	Consolidated
CURRENT ASSETS						
Cash and cash equivalents	\$ 5,474,729	\$ 122,606	\$ 5,597,335		\$ 5,597,335	\$ 11,210,206
Assets limited as to use	744,291		744,291		744,291	6,622,882
Receivables						
Patient	36,850,752		36,850,752		36,850,752	35,962,887
Less allowances for uncollectible accounts	(21,497,748)		(21,497,748)		(21,497,748)	(22,043,201)
Estimated third-party payor settlements	(1,435,195)		(1,435,195)		(1,435,195)	487,943
Other	2,302,415	649,689	2,952,104	(675,109)	2,276,995	954,786
Supplies	2,834,336		2,834,336		2,834,336	2,765,140
Prepaid expenses	1,562,815	53,643	1,616,458		1,616,458	2,202,994
Total current assets	26,836,395	825,937	27,662,332	(675,109)	26,987,224	38,163,637
ASSETS LIMITED AS TO USE	10,114,148		10,114,148		10,114,148	13,814,020
PROPERTY AND EQUIPMENT, net	103,339,254	691,853	104,031,107		104,031,107	101,805,145
OTHER ASSETS						
Noncurrent prepaid expenses			-		-	354,487
Investment in affiliates	678,658		678,658	(428,130)	250,528	308,626
Deferred financing costs, net	386,503		386,503		386,503	400,627
Goodwill and other intangible assets, net	54,688		54,688		54,688	58,125
Total other assets	1,119,849	-	1,119,849	(428,130)	691,719	1,121,865
Total assets	\$ 141,409,646	\$ 1,517,790	\$ 142,927,436	\$ (1,103,239)	\$ 141,824,197	\$ 154,904,667
CURRENT LIABILITIES						
Current maturities of long-term debt	\$ 690,000	\$ 150,000	\$ 840,000		\$ 840,000	\$ 976,796
Accounts payable - Trade	9,274,690	34,911	9,309,602	(637,052)	8,672,550	6,727,390
Capital payables	1,936,690		1,936,690		1,936,690	5,967,882
Accrued expenses						
Salaries and wages	2,157,759	18,398	2,176,157		2,176,157	1,279,118
Vacation	3,046,337	36,629	3,082,966		3,082,966	2,652,213
Interest	-	-	-		-	4,746
Payroll taxes	(164,895)	21,275	(143,620)		(143,620)	206,724
Other	600,241	185,319	785,560	(38,057)	747,503	924,957
Total current liabilities	17,540,822	445,532	17,987,354	(675,109)	17,312,245	18,739,826
OTHER LONG-TERM LIABILITIES	2,500,000		2,500,000		2,500,000	2,500,000
LONG-TERM DEBT, less current maturities	38,934,389	14,147	38,948,536		38,948,536	37,060,139
Total liabilities	58,975,211	460,680	59,435,891	(675,109)	58,760,782	58,299,965
Unrestricted Net Assets						
Gerald Champion Regional Medical Center	82,811,435	1,057,110	83,868,545	(1,057,110)	82,811,435	95,965,484
Noncontrolling Interest	-	-	-	628,981	628,981	639,218
Total unrestricted net assets	82,811,435	1,057,110	83,868,545	(428,130)	83,440,416	96,604,702
Total liabilities and net assets	\$ 141,786,646	\$ 1,517,790	\$ 143,304,436	\$ (1,103,239)	\$ 142,201,197	\$ 154,904,667

Gerald Champion Regional Medical Center

Interim Consolidating Statements of Operations and Changes in Net Assets (unaudited)

Fiscal Year Ending June 30, 2012

Year-to-date as of May 31, 2012

	Combined	ASV	Total	Eliminations	Consolidated
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT					
Patient service revenue (net of contractual adjustments and discounts)	\$ 90,052,120	\$ -	\$ 90,052,120	\$ -	\$ 90,052,120
Provision for bad debts	6,242,685	-	6,242,685	-	6,242,685
Net patient service revenue less provision for bad debts	83,809,435	-	83,809,435	-	83,809,435
Other revenue	3,770,784	6,478,596	10,249,380	(6,897,223)	3,352,157
Total revenues, gains and other support	87,580,219	6,478,596	94,058,815	(6,897,223)	87,161,592
EXPENSES					
Salaries and wages	36,119,811	1,228,112	37,347,923		37,347,923
Employee benefits	8,007,568	378,712	8,386,280		8,386,280
Professional fees and purchased services	18,303,630	591,422	18,895,052	(6,478,596)	12,416,456
Utilities and maintenance	5,965,191	244,595	6,209,786		6,209,786
Supplies	13,605,252	666,910	14,272,162		14,272,162
Insurance	1,833,421	29,771	1,863,192		1,863,192
Leases and rentals	1,262,160	498,382	1,760,542	(418,627)	1,341,915
Other	1,788,280	59,998	1,848,277		1,848,277
Taxes	642,554	3,488	646,042		646,042
Interest	223,189	16,318	239,507		239,507
Depreciation and amortization	8,443,165	171,824	8,614,989		8,614,989
Total expenses	96,194,221	3,889,530	100,083,751	(6,897,223)	93,186,528
OPERATING INCOME	(8,614,002)	2,589,066	(6,024,936)	-	(6,024,936)
OTHER INCOME (LOSSES)					
Reorganization professional fees	(5,156,756)	-	(5,156,756)		(5,156,756)
Investment Income	616,712	-	616,712	(1,048,572)	(431,860)
Gain (loss) on sale of PPE	-	-	-		-
Other income (loss), net	(4,540,044)	-	(4,540,044)	(1,048,572)	(5,588,616)
REVENUES IN EXCESS OF EXPENSES	(13,154,046)	2,589,066	(10,564,980)	(1,048,572)	(11,613,552)
DISTRIBUTIONS TO NONCONTROLLING INTERESTS IN ASV		(2,600,000)	(2,600,000)	1,053,000	(1,547,000)
INCREASE (DECREASE) UNRESTRICTED NET ASSETS	(13,154,046)	(10,934)	(13,164,980)	4,428	(13,160,552)
NET ASSETS, beginning of year	95,965,484	1,068,045	97,033,529	(432,562)	96,600,967
NET ASSETS, end of year	\$ 82,811,438	\$ 1,057,111	\$ 83,868,549	\$ (428,134)	\$ 83,440,415
Net Operating Margin	-9.84%	39.96%	-6.41%		-6.91%
Excess Revenue Net Margin	-15.02%	39.96%	-11.23%		-13.32%

Gerald Champion Regional Medical Center
Interim Hospital Statistics
For the Period Ending May 31, 2012

YEAR-TO-DATE		Actual	Prior Year	Variance	Var %	Budget	Variance	Var %
Patient Days -	Total	13,132	14,241	(1,109)	-7.8%	18,057	(4,925)	-27.3%
	Acute	10,047	13,107	(3,060)	-23.3%	13,739	(3,692)	-26.9%
	IRF	1,259	N/A	N/A	N/A	1,641	(382)	-23.3%
	Gero-Psych	1,825	1,134	691	60.9%	2,677	(852)	-31.8%
Adjusted Patient Days		43,133	40,067	3,066	7.7%	45,707	(2,574)	-5.6%
Average Daily Census -	Total	39.1	42.5	(3.5)	-8.1%	53.9	(14.9)	-27.6%
	Acute	29.9	39.1	(9.2)	-23.6%	41.1	(11.2)	-27.2%
	IRF	3.7	N/A	N/A	N/A	4.9	(1.2)	-23.5%
	Gero-Psych	5.4	3.4	2.0	60.1%	8.0	(2.6)	-32.1%
Avg Length of Stay-	Acute	3.3	3.4	(0.1)	-2.7%	3.4	(0.1)	-3.8%
	IRF	11.8	N/A	N/A	N/A	13.0	(1.2)	-9.5%
	Gero-Psych	8.1	6.4	1.7	26.5%	8.3	(0.3)	-3.1%
Discharges -	Total	3,391	4,094	(703)	-17.2%	4,350	(959)	-22.0%
	Acute	3,064	3,923	(859)	-21.9%	4,001	(937)	-23.4%
	IRF	102	N/A	N/A	N/A	127	(25)	-19.4%
	Gero-Psych	224	174	50	28.7%	223	1	0.6%
Adjusted Discharges		11,138	11,533	(395)	-3.4%	11,011	127	1.2%
Admissions -	Total	3,407	4,105	(698)	-17.0%	4,350	(943)	-21.7%
	Acute	3,073	3,905	(832)	-21.3%	4,001	(928)	-23.2%
	IRF	107	N/A	N/A	N/A	127	(20)	-15.4%
	Gero-Psych	226	200	26	13.0%	223	3	1.5%
Adjusted Admissions		11,191	11,586	(395)	-3.4%	11,011	179	1.6%
Surgeries	IP	887	1,278	(391)	-30.6%	1,421	(534)	-37.6%
	OP	889	841	48	5.7%	986	(97)	-9.8%
	Total	1,776	2,119	(343)	-16.2%	2,407	(631)	-26.2%
ASV Surgeries		5,103	5,442	(339)	-6.2%	5,500	(397)	-7.2%
Deliveries		525	544	(19)	-3.5%	578	(53)	-9.2%
Emergency Visits		25,943	26,680	(737)	-2.8%	27,964	(2,021)	-7.2%
% of ER Visits Admitted to IP		8.1%	10.1%	-1.9%	-19.3%	11.3%	-3.1%	-27.8%
Emergency IP Admissions		2,111	2,689	(578)	-21.5%	3,147	(1,036)	-32.9%
% Admission Through ER		62.0%	65.5%	-3.5%	-5.4%	72.3%	-10.4%	-14.4%
Outpatient Visits		55,849	59,661	(3,812)	-6.4%	68,750	(12,901)	-18.8%
OP% of Revenue		69.6%	73.4%	-3.8%	-5.2%	60.5%	9.1%	15.0%
Observations -	Acute	772	641	131	20.4%	704	68	9.7%
	MCU	888	1,050	(162)	-15.4%	1,111	(223)	-20.1%
CMI - Medicare		1.4014	1.3494	0.0520	3.9%	1.3640	0.0374	2.7%

Gerald Champion Regional Medical Center
Interim Financial Indicators
For the Period Ending May 31, 2012

YEAR-TO-DATE							
	Actual	Prior Year	Variance	Var %	Budget	Variance	Var %
Net Operating Margin	-4.4%	0.6%	-5.0%		8.5%	-12.9%	
EBITDA Margin	1.6%	16.3%	-14.8%		16.5%	-15.0%	
Total Net Margin	-10.2%	6.9%	-17.1%		6.6%	-16.8%	
Deduction % of gross pat rev	59.7%	58.2%	1.5%		57.1%	2.7%	
Salaries % Net Patient Revenue	37.2%	36.0%	1.2%		33.4%	3.8%	
Supplies % of net revenue	14.8%	16.6%	-1.8%		14.7%	0.1%	
Expense/Adj Admission	7,384	7,143	241	3.4%	8,110	-726	-9.0%
Paid Manhours	1,015,069	1,060,656	(45,587)	-4.3%	1,355,765	(340,696)	-25.1%
Paid FTEs (includes contract)	530	546	(16)	-2.9%	706	(176)	-24.9%
FTE's per adjusted occupied bed	4.1	4.6	(0.4)	-9.8%	5.2	(1.1)	-20.4%
Total Manhours / Adj Admission	90.7	91.5	(0.8)	-0.9%	123.1	(32.4)	-26.3%
Net Days in A/R	58.4	49.2	9.2	18.7%	45.0	13.4	29.8%
Net Revenue/FTE	\$149,245	\$152,473	(\$3,228)	-2.1%	\$138,185	\$11,059	8.0%

Combined	Actual	Prior Year	Variance	Var %	Budget	Variance	Var %
Days cash on hand	64.6	131.3	(66.7)	-50.8%	191.2	(126.6)	-66.2%
Debt Service Coverage Ratio	1.7	10.1					

Consolidated	Actual	Prior Year	Variance	Var %	Budget	Variance	Var %
Days Payable	71.0	60.6	10.4	17.1%			

Exhibit E

Liquidation Analysis

Total Assets in Chapter 7 Liquidation

Description	Value
Real Estate	\$32,400,000 ¹
Equipment	\$4,900,000 ²
Receivables	\$8,900,000 ³
Avoidance Actions	\$2,800,000 ⁴
Cash	\$16,000,000
Supplies	\$1,200,000 ⁵
Total Assets	\$66,200,000

¹ This amount assumes that in a Chapter 7 “fire sale” the Debtor would only be able to realize 40% of the net book value of its real estate assets including improvements.

² This amount assumes that in a Chapter 7 “fire sale” the Debtor would only be able to realize 30% of the net book value of its equipment and other tangible personal property.

³ This amount assumes that in a Chapter 7 “fire sale” the Debtor would only realize 50% on net receivables.

⁴ This amount assumes that a Chapter 7 trustee could recover 10% of the Schedule 3(b) payments within 90 days through Avoidance Actions.

⁵ This amount assumes that in a Chapter 7 “fire sale” the Debtor would only realize 40% on supplies.

Comparison of Chapter 7 and Plan Recoveries

Claim Type	Chapter 7 Recovery	Remaining Chapter 7 Proceeds	Plan Recovery
Letter of Credit Lender	\$36,600,000 ⁶	\$29,600,000.00	Paid in full
Robins & Morton Claim	\$455,351	\$29,144,649.00	Paid in full
Other Secured Claims	\$500,000	\$28,644,649.00	Paid in full
Chapter 7 Trustee Fees	\$1,986,000 ⁷	\$26,658,649.00	N/A
Chapter 7 Administrative Expenses	\$4,000,000 ⁸	\$22,658,649.00	N/A
Chapter 11 Administrative Expenses	\$15,100,000 ⁹	\$7,558,649.00	Paid in full
Priority Claims	\$2,853,000 ¹⁰	\$4,705,649.00	Paid in full
General Unsecured Claims (Includes Claims in Classes 6 and 7 under the Plan)	\$20,100,000- \$40,100,000 ¹¹	Recovery between 12% and 23% of Claim	Paid in full
Subordinated Claims	Unknown	\$0	\$0

⁶ This amount assumes \$1 million in fees and costs incurred by the Letter of Credit Lender in resolving its claims against the Debtor.

⁷ This amount represents 3% of the expected distributions by the Chapter 7 trustee.

⁸ This amount includes approximately \$2 million of real estate commissions in respect of the sale of the real property and \$1.5 million in professional fees to liquidate all claims, including the tort personal injury, QHR and Dr. Bryant claims, and \$0.5 million in miscellaneous costs.

⁹ This amount includes approximately \$9.1 million that would be due and owing if the Debtor were liquidated and unable to perform under its postpetition and previously assumed contracts, \$1.1 million for postpetition payables, \$1 million for outstanding professional fees, and \$3.9 million for WARN Act liabilities, which approximates the 60-day payroll discounted by 50% for litigation risk.

¹⁰ This amount reflects accrued vacation that would be entitled to priority status. The Debtor determined that such amounts would be entitled to priority by dividing the total amount of prepetition accrued vacation by the number of employees, which equals approximately \$5,000 per employee (an amount considerably below the \$11,725 threshold).

¹¹ This amount includes \$5.3 million in trade claims, \$7 million in rejection damages (including employment contracts, supply agreements, QHR rejection damages and indemnity claims), \$2.8 million in section 502(h) claims, and \$5 to \$25 million for tort personal injury claims.

Exhibit F

	Proof of Claim No.	Claimant(s)	Asserted Nature of Claim	Amount
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1.	55	Kent Gwynne and Elizabeth Gwynne	Medical Malpractice	Unliquidated
2.	56	Ronald Whiteley and Marilyn Whiteley	Medical Malpractice	Unliquidated
3.	57	Shirley Huebert	Medical Malpractice	Unliquidated
4.	58	Mela Herrera and Jake Herrera	Medical Malpractice	Unliquidated
5.	59	Lavine M. Durden	Medical Malpractice	Unliquidated
6.	60	James Cross and Wanda Cross	Medical Malpractice	Unliquidated
7.	61	Wiley Munsey and Ann Munsey	Medical Malpractice	Unliquidated
8.	62	Marjorie Curtis	Medical Malpractice	Unliquidated
9.	63	Chrystal L. Sauls	Medical Malpractice	Unliquidated
10.	64	Gayle Lunceford and Cecil Lunceford	Medical Malpractice	Unliquidated
11.	65	Kelley Capece, as Personal Representative of the Estate of Susan Schwarzenegger	Medical Malpractice	Unliquidated
12.	66	Annabelle Lindely and Jearl Lindley, M.D.	Medical Malpractice	Unliquidated
13.	67	Nancy L. Jonsson	Medical Malpractice	Unliquidated
14.	68	James Silva	Medical Malpractice	Unliquidated
15.	69	Cecil Lunceford and Gayle Lunceford	Medical Malpractice	Unliquidated
16.	70	Phillip R. Simmons	Medical Malpractice	Unliquidated
17.	71	Dale Fox and Phyllis Fox	Medical Malpractice	Unliquidated

	Proof of Claim No.	Claimant(s)	Asserted Nature of Claim	Amount
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18.	72	Ivan S. Jackson	Medical Malpractice	Unliquidated
19.	73	Patricia E. Rue and Gary T. Rue	Medical Malpractice	Unliquidated
20.	74	Val L. Turnbull, Jr. and Carel Turnbull	Medical Malpractice	Unliquidated
21.	75	Alice Tompkins	Medical Malpractice	Unliquidated
22.	76	Kathy J. Swope and Jimmy L. Swope	Medical Malpractice	Unliquidated
23.	77	Desiree A. Smith and Henry Smith	Medical Malpractice	Unliquidated
24.	78	John F. O'Byrne and Laverne O'Byrne	Medical Malpractice	Unliquidated
25.	79	Barbara A. Pace and James Pace	Medical Malpractice	Unliquidated
26.	80	Mary M. Quappe and David Quappe	Medical Malpractice	Unliquidated
27.	81	William J. Rogers	Medical Malpractice	Unliquidated
28.	82	Mark A. Stewart	Medical Malpractice	Unliquidated
29.	83	Frank M. Guerrero	Medical Malpractice	Unliquidated
30.	84	James R. Boren	Medical Malpractice	Unliquidated
31.	85	Manuel Martinez and Darlene Martinez	Medical Malpractice	Unliquidated
32.	86	David L. Burton and Helen Burton	Medical Malpractice	Unliquidated
33.	87	Gilbert C. Marquez and Marie Marquez	Medical Malpractice	Unliquidated
34.	88	Melissa MacKechnie	Medical Malpractice	Unliquidated

	Proof of Claim No.	Claimant(s)	Asserted Nature of Claim	Amount
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35.	89	Edna O. Chavez and John I. Chavez	Medical Malpractice	Unliquidated
36.	90	Thomas T. Sullivan and Pat Sullivan	Medical Malpractice	Unliquidated
37.	91	Paul A. Houston	Medical Malpractice	Unliquidated
38.	92	Laurie K. Baker and Ronald Baker	Medical Malpractice	Unliquidated
39.	93	Phillis Barnett	Medical Malpractice	Unliquidated
40.	95	Tony S. Chavez and Rita Chavez	Medical Malpractice	Unliquidated
41.	96	Maria Nora Coyazo	Medical Malpractice	Unliquidated
42.	97	David Warden	Medical Malpractice	Unliquidated
43.	100	Darrell Gilmore and Susan Gilmore	Medical Malpractice	Unliquidated
44.	104	Jerome Ward	Medical Malpractice	Unliquidated
45.	105	Thomas Olive	Medical Malpractice	Unliquidated
46.	183	Paul Strunk	Medical Malpractice	Unliquidated
47.	184	Linda McKinney	Medical Malpractice	Unliquidated
48.	185	Michael McCullough	Medical Malpractice	Unliquidated
49.	186	Theresa Crawford	Medical Malpractice	Unliquidated
50.	187	Rodney Bunsen	Medical Malpractice	Unliquidated
51.	188	Janice Bergeron	Medical Malpractice	Unliquidated
52.	189	Shirley Walls	Medical Malpractice	Unliquidated
53.	190	Kelly Robbins	Medical Malpractice	Unliquidated
54.	191	Barbara Olson	Medical Malpractice	Unliquidated

	Proof of Claim No.	Claimant(s)	Asserted Nature of Claim	Amount
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55.	192	Edna Morton	Medical Malpractice	Unliquidated
56.	202	Alonzo Hall	Medical Malpractice	Unliquidated
57.	203	Sharon Degner	Medical Malpractice	Unliquidated
58.	205	Shirley Modisett	Medical Malpractice	Unliquidated
59.	206	Kelly Robertson	Medical Malpractice	Unliquidated
60.	207	Catherine Swanson and Melvin Swanson	Medical Malpractice	Unliquidated
61.	208	Douglas and Veronica Whittaker	Medical Malpractice	Unliquidated
62.	209	April Douthitt-Dugger and Charles B. Dugger III	Medical Malpractice	Unliquidated
63.	210	Lorraine Hutchings	Medical Malpractice	Unliquidated
64.	211	Peter and Jennifer Luna and their minor children, Makayla and Maria Luna	Medical Malpractice	Unliquidated
65.	212	William O. Mills and Connie Mills	Medical Malpractice	Unliquidated
66.	213	Ann Berry	Medical Malpractice	Unliquidated
67.	214	Ray and Kathleen Bailey	Medical Malpractice	Unliquidated
68.	215	Mary Jane and Robert Calloway	Medical Malpractice	Unliquidated
69.	216	Glenneth and Joe Shafer	Medical Malpractice	Unliquidated
70.	218	Ray Sanchez	Seen by doctors in question	Unliquidated
71.	247	Otis Ferguson	Loss of consortium relating to medical malpractice	\$1,000,000

	Proof of Claim No.	Claimant(s)	Asserted Nature of Claim	Amount
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72.	249	Cynthia Fender	Loss of consortium relating to medical malpractice	\$1,000,000
73.	250	Linda Hoefler	Medical Malpractice	\$4,000,000
74.	251	Joel Crossno	Medical Malpractice	\$3,000,000
75.	252	Mickie Francis	Medical Malpractice	\$3,000,000
76.	253	James Fender	Medical Malpractice	\$4,000,000
77.	254	Victor Wilkerson	Loss of consortium relating to medical malpractice	\$1,000,000
78.	255	Judy Ann Ferguson	Medical Malpractice	\$4,000,000
79.	256	Vivian Crossno	Loss of consortium relating to medical malpractice	\$1,000,000
80.	262	Sandra J. East, Individually and as Personal Representative of the Estate of Stanley B. East, Deceased	Personal Injury/Wrongful Death	\$2,500,000
81.	264	Marlene Pellman	Personal injury suffered due to medical malpractice	\$1,000,000

Schedule 1

Otero County Hospital Association, Inc.

Schedule 1 – Schedule of Rejected Executory Contracts and Unexpired Leases

Contract Counterparty		Contract Name / Description
1	Siemens Medical Solutions USA, Inc	AXIOM Luminos dRF
2	Siemens Medical Solutions USA, Inc	SOMATOM Definition AS 40-Slice Configuration

Schedule 2

Otero County Hospital Association, Inc.

Schedule 2 – Schedule of Assumed Executory Contracts and Unexpired Leases

	Contract Counterparty	Contract Name / Description	Cure Amount
1	Abood, Ferial MD	Network Access Agreement	\$0.00
2	Abood, Ferial MD	Holter Service Contract for Cardiopulmonary	\$0.00
3	Absolute Hire	Employee Background Checks	\$0.00
4	Aday, Brent MD	Lease Agreement	\$0.00
5	Advanced Biosensor, Inc	Holter Service Contract for Cardiopulmonary	\$0.00
6	Advanced Medical Optics	Intraocular Lens Consignment Agreement	\$0.00
7	Advanced Sterilization Product C/O Johnson & Johnson Health Care Inc	Maintenance Agreement for 100S Sterilization System	\$0.00
8	Airgas-Southwest Inc	Liquid Oxygen Agreement	\$0.00
9	Alamogordo Building Maintenance	Cleaning Service Agreement	\$632.41
10	Alamogordo Home Care/Hospice	Patient Admission Agreement	\$0.00
11	Alamogordo Imaging Center, LLC	Diagnostic Services Agreement	\$0.00
12	Alamogordo Imaging Center, LLC		\$0.00
13	Alamogordo Imaging Center, LLC	Membership Interest in the LLC	\$0.00
14	Alamogordo Imaging Center, LLC	Radiology Service Agreement	\$0.00
15	Alamogordo Municipal School District-Commercial Sign Art	Land-Billboard Agreement	\$6,800.00
16	Alamogordo Surgery Ventures, LLC	Lease Agreement	\$0.00
17	Alamogordo Surgery Ventures, LLC	Operating Agreement	\$0.00
18	Alamogordo Surgery Ventures, LLC	Operating Agreement -1st Amendment	\$0.00
19	Alamogordo Surgery Ventures, LLC	Operating Agreement -2nd Amendment	\$0.00
20	Alamogordo Surgery Ventures, LLC	Operating Agreement -3rd Amendment	\$0.00
21	Alamogordo Surgery Ventures, LLC	Services and Management Agreement	\$0.00
22	Alamogordo Surgical Associates, PA	On-Call Agreement	\$0.00
23	Alliance Healthcare Services	Mobile CT_Scan Addendum A	\$0.00
24	Alliance Healthcare Services	Mobile CT_Scan Addendum B	\$0.00

25	Alliance Healthcare Services	PET/CT Mobile Service	\$27,480.00
26	Alqassem, Nasser MD	Medical Director of Joint Program	\$0.00
27	American Cancer Society	Cancer Resource Center Volunteer-Staffed Agreement	\$0.00
28	Amerigroup Community Care	Managed Care Contract	\$0.00
29	AMN Healthcare Inc.	Healthcare RN Staffing Agreement	\$0.00
30	AMPMED Navimedix	Electronic Claims Agreement	\$0.00
31	Antypas, Antoine, MD	Employment Agreement	\$0.00
32	APCO USA	Interior Signage for Patient Tower.	\$0.00
33	Arizant (Augustine Medical)	Bair Hugger Warmer Agreement	\$0.00
34	Ascension Group Architects, LLP	Amendment to Contract/Additional Services	\$32,654.49
35	AthenaHealth, Inc	Physician Practice Billing Service	\$0.00
36	Atrium Medical Group	Grafts Consignment Agreement	\$0.00
37	Austin, Arthur MD	Employment Agreement	\$0.00
38	Automatic Vending Service of S.E.N.M., Inc	Vending Machine Service Agreement	\$0.00
39	Availity	Clearinghouse Agreement	\$0.00
40	Avatar International	Employee Survey Service	\$15,085.05
41	Avatar International	Patient Survey Service	\$0.00
42	AVAYA	Phone Maintenance Contract	\$6,974.22
43	BAJA Broadband	Cable Service Agreement	\$2,300.58
44	Baja Broadband	Landsun Regency Service Agreement	\$0.00
45	Bandwidth.com (Qwest)	Internet Access Service Agreement	\$95.12
46	Bankston, Chandi DO	Lease Agreement	\$0.00
47	Baxter Healthcare Corporation	Equipment Lease Agreements	\$0.00
48	Baxter Healthcare Corporation	Health Trust Inhaled Gas Program	\$0.00
49	Baxter Healthcare Corporation	IV Solutions and Sets Agreement	\$0.00
50	Baxter Healthcare Corporation	Medical/Surgical Distribution Agreement	\$0.00
51	Beckman Coulter	ACL Coagulator Instrument Maintenance Agreement	\$0.00
52	Beckman Coulter	ACL Elite Coagulator Instrument Service Agreement	\$0.00
53	Beckman Coulter	DXC800 Chemistry Instrument Service Agreement	\$7,396.26
54	Beckman Coulter	LH750 Hematology Instrument Capital Purchase	\$0.00

55	Beckman Coulter	Maintenance on LX20 Chemical Analyzer	\$0.00
56	Beech Street	Managed Care Contract	\$0.00
57	Betty Dare Good Samaritan Society	Medicare Skilled Nursing Agreement	\$0.00
58	Betty Dare Good Samaritan Society	Transfer Agreement	\$0.00
59	bioLogic Alternative Fuels	Service Agreement	\$0.00
60	Biomerieux, Inc	Vitek 2 Compact and Gram Stain Instrument Maintenance Agreement	\$0.00
61	Biotech Pharmacy, Inc.	Radiopharmaceuticals Purchase Agreement	\$0.00
62	Birnbaum, David	Employment Agreement	\$0.00
63	BKD LLP	Professional Services for Cost Report	\$2,693.24
64	Blue Cross Blue Shield of New Mexico	Amendment 3 for Gero-psych	\$0.00
65	Blue Cross Blue Shield of New Mexico	Managed Care Contract	\$0.00
66	Boston Scientific Corporation	RF 3000 Generator Purchase Agreement	\$0.00
67	California College for Health Sciences	Clinical Affiliation Agreement	\$0.00
68	CAPPED, Inc	Reduced Pathology Fees Agreement	\$0.00
69	Cardinal Health - Allegiance	GLX Linear Stainer Agreement	\$0.00
70	Cardinal Health (HPG Contract)	Commitment Agreement - Laboratory Services	\$0.00
71	Cardinal Health 200, Inc	Surgical Procedure Modules Commitment Agreement	\$0.00
72	Career Centers of Texas - El Paso	Clinical Affiliation Agreement	\$0.00
73	Carefusion	Supply Pyxis Virtual Test System Agreement	\$0.00
74	Carefusion Solutions	Infection Control System Agreement	\$0.00
75	Carefusion Solutions (Pyxis Corporation)	Pyxis Dispensing Lease Agreements	\$2,752.18
76	Carpenters Industrial Council	Nursing Union Contract Agreement	\$0.00
77	Casa Arena Blanca	Diagnostic Services Agreement	\$0.00
78	Casa Arena Blanca	Transfer Agreement	\$0.00
79	CDW Computer Center	Endpoint Antivirus Software	\$0.00
80	CDW Computer Center	Firewall Services	\$0.00
81	CDW Computer Center	TrendMicro Software Agreement	\$0.00
82	CDW Computer Center	What's Up Software Agreement	\$0.00
83	Central NM Community College	Clinical Affiliation Agreement	\$0.00
84	Cerner Corporation	Diagnosis Interface from MedSeries 4 to Cerner	\$1,169,883.47

85	Cerner Corporation	Electronic Medical Record Bundle Agreement	\$3,199.88
86	Cerner Corporation	Medical Subscription medicsource	\$0.00
87	Cerner Corporation	Mutual Non-Disclosure Agreement	\$0.00
88	Cerner Corporation	Nurse Call System Agreement	\$103,183.20
89	Cerner Corporation	Sublicensed Software-Maintenance for ED Physician Documentation	\$137,419.24
90	CertiFacts On-Line	Web-based access for ABMS to verify Physician Board Certification	\$0.00
91	Chase Paymentech	Processing Credit Card Payment Agreement	\$0.00
92	Chaves County	Indigent Fund Agreement	\$0.00
93	Children In Need of Services (CHINS)	Lease Agreement	\$0.00
94	Children's Hospital, The	Transfer Agreement	\$0.00
95	Choice Communication	Telephone Maintenance Agreement for Physician Practices	\$1,330.00
96	Christus St. Vincent Medical Center	Transfer Agreement	\$0.00
97	Collectrite, Inc	Collection Agreement	\$0.00
98	Community Outreach Program for the Deaf	Sign Language Interpreters Agreement	\$0.00
99	Complete Pharmacy Resource	Pharmacist for Cerner Bundle	\$0.00
100	Compliance 360	Compliance Managmeent Software Agreement	\$3,838.50
101	Compliance 360	Statement of Work	\$0.00
102	Compliance Concepts, Inc.	ComplianceLine Agreement	\$0.00
103	Core Medical Group	Permanent Placement Contingency Agreement	\$0.00
104	County of Otero	Indigent Fund Agreement	\$0.00
105	Covenant Medical Center	Transfer Agreement	\$0.00
106	Datascope Patient Monitoring	Warranty Agreement	\$0.00
107	DCI Donor Services	Tissue Acquisition Agreement	\$0.00
108	De La Vega, Osvaldo MD	Lease Agreement	\$0.00
109	Del Sol Medical Center	Transfer Agreement	\$0.00
110	Dell	Maintenance Agreement for PCs	\$7,529.93
111	Delta Flex Travelers	Temporary Coverage Agreement	\$14,223.13
112	Delta Healthcare Placement	Agreement for Search of OT	\$0.00
113	Delta Healthcare Placement	Agreement for Search of PT	\$0.00

114	Desert Blom Lawn Service	Landscaping Agreement	\$291.66
115	Dewitt Pest Control Services	Pest Control Agreement	\$7.27
116	Diamond Healthcare West, Inc	Gero-psych Management Services	\$5,031.51
117	Disastersnet, Inc	Emergency Mgmt Web-based Program Service	\$0.00
118	DLB Associates, Inc.	IBM Printer Maintenance Agreement	\$0.00
119	D-Med Corporation	Service Agreement Backlog Clean up in PP billing	\$0.00
120	Dodson, Doug DO	Trauma Call Agreement	\$0.00
121	Dona Ana Coummunity College	Clinical Affiliation Agreement - Radiology-Sonography	\$0.00
122	Dona Ana Coummunity College	Clinical Affiliation Agreement - Repiratory/EMS/Para/Nursing	\$0.00
123	Dornoch Medical Systems, Inc.	Transposal System Agreement	\$1,554.91
124	Eastern New Mexico Medical Center	Transfer Agreement	\$0.00
125	Eastern New Mexico University - Roswell	Clinical Affiliation Agreement - EMS	\$0.00
126	Eastern New Mexico University - Roswell	Clinical Affiliation Agreement - Respiratory Therapy	\$0.00
127	EideBailly, LLC	Business Associates Agreement - Auditing Services	\$0.00
128	El Paso Times	Advertizing for Positions	\$0.00
129	EMBLA Systems, Inc.	Sandman Sleep Studies	\$0.00
130	EmCare, Inc - AnesthesiaCare	Anesthesia Management Service	\$349,058.74
131	EmCare, Inc - Emergency Med	Emergency Room Management Service	\$87,353.48
132	EmCare, Inc - Inpatient Services	Inpatient Services (Hospitalist) Management Service	\$597,492.88
133	ePharmPro	Service Agreement for Remote Pharmacy	\$0.00
134	Executive Security Associates	Fire and Security Monitoring Services	\$0.00
135	Farr, Timothy	Sign Language Interpreters Agreement	\$0.00
136	Fellers, Neal MD	Lease Agreement	\$0.00
137	Fillmore Eye Clinic	Transfer Agreement	\$0.00
138	First Financial Healthcare Solutions	Capital Lease for Dual CT	\$0.00
139	First Health	Managed Care Contract	\$0.00
140	Fox Hill Associates	Quorum Search Contract	\$0.00
141	Freeh, Eric DO	Trauma Call Agreement	\$0.00
142	Frost, Timothy, MD	Lease Agreement	\$0.00
143	Gallien Therapy Services	Speech-Language Pathology Agreement	\$0.00

144	Gallien Therapy Services	Transfer Agreement	\$0.00
145	GE Healthcare	Anesthesia Equipment Service Agreement	\$0.00
146	GE Healthcare Technologies	MUSE Software and Hardware Service Agreement	\$0.00
147	GE Medical Systems Info Tech	QS Software Maintenance for MCU	\$25,808.00
148	Global Nutrition Services, LLC	Consulting Agreement for Dieticians	\$0.00
149	Global Nutrition Services, LLC	Consulting Agreement for Dieticians - Addendum	\$0.00
150	Government Employees Hospital Association, Inc.	Managed Care Contract	\$0.00
151	Great West Healthcare	Managed Care Contract	\$0.00
152	Greeley Company	External Peer Review Agreement - As needed	\$0.00
153	Grummert, Sandra MD	Employment Agreement	\$0.00
154	Guillen, Teresa	Business Associates Agreement -Interpretating Services	\$0.00
155	Guillen, Teresa	MOU for Sign Language Interpretation Services	\$0.00
156	Haas, Pam	BAA Agreement	\$0.00
157	Harper Associates	Recruitment Agreement - Dieticians	\$0.00
158	Health & Human Services	Medicare Participation Agreement	\$0.00
159	Healthcare Decision Systems, Inc	Computer Software Licence Agreement	\$0.00
160	HealthTrust Purchasing Group (HPG)/ Quorum	Facility Purchasing Agreement	\$0.00
161	Heart Hospital of New Mexico	Transfer Agreement	\$0.00
162	Hi-Tech Fire Equipment Co	Annual Certification and Inspections Services	\$0.00
163	Holloman Air Force Base 49th Medical Group	Interlibrary Loan Agreement	\$0.00
164	Holloman Air Force Base 49th Medical Group	MOU for Disaster Planning	\$0.00
165	Holloman Air Force Base 49th Medical Group	MOU for Shared Lab Services in a Crisis/Disaster	\$0.00
166	Holloman Air Force Base 49th Medical Group	MOU for Treatment Notification Requirements	\$0.00
167	Holloman Air Force Base 49th Medical Group	MOU of Blood Services	\$0.00
168	Holloman Air Force Base 49th Medical Group	Shared Services Agreement	\$0.00
169	Holloman Air Force Base 49th Medical Group	Training Affiliation Agreement for Nursing/Techs	\$0.00
170	Horton, Joseph, MD	Employment Agreement	\$0.00
171	Hospital Services Corporation	Healthcreds Service Agreement	\$0.00
172	Humana/Health Value Management (ChoiceCare Network)	Managed Care Contract	\$0.00
173	IMA Consulting	Consulting Agreement for DHS	\$0.00

174	IMMUCOR	Echo blood Bank System Service Agreement	\$0.00
175	Indian Health Services (IHS)	Service Agreement	\$0.00
176	Inline Group, The	Physician Recruitment Agreement	\$1,375.00
177	Innovative Consulting Group	Consulting Services for Power Chart Office	\$0.00
178	Instrumentation Laboratory	ABG GEM 3500/4000 Equipment Lease Agreement	\$2,211.58
179	Integrated Medical Systems Inc	IBM Software Maintenance Agreement	\$0.00
180	Intellisoft Group, Inc	Maintenance Agreement for Credentialing Software	\$0.00
181	Interventional Management Services, LLC	ASV, LLC Management Service Agreement	\$0.00
182	IRIS International, Inc	IRIS IQ200 Urinalysis Instrument Agreement	\$7,691.20
183	ISPM New Mexico	Lease Agreement	\$0.00
184	iTera, Inc	Software Service Agreement	\$0.00
185	ITT Technical Institute	Clinical Affiliation Agreement - Nursing	\$0.00
186	IVANS	Electronic Terminal for Medicare Claim Processing	\$294.27
187	J.A. Thomas and Associates, Inc.	Compliant Documentation Management Program	\$0.00
188	J.A. Thomas and Associates, Inc.	Continuing Education	\$0.00
189	Johnson Controls Systems Service Division	HVAC Maintenance Agreement	\$1,527.20
190	Jun, Sungho MD	Lease Agreement	\$0.00
191	Jun Sungho MD	Network Access Agreement	\$0.00
192	Karl Storz Lithotripsy	Service Agreement	\$0.00
193	Kendall	Enteral Feeding Pumps Trade in Agreement	\$0.00
194	Kforce	Transcription Service Agreement	\$10,268.15
195	KOB/KOBF/KOBR	Impact Plus Membership Agreement	\$1,624.88
196	Korec, Stefan MD	Network Access Agreement	\$0.00
197	Korec, Stefan MD	MOU of Proposed Terms of Employment	\$0.00
198	Koski-Vogt, Mary, CNM	Employment Agreement	\$0.00
199	Kronos Incorporated	iSeries Timekeeper Agreement	\$0.00
200	Laboratory Corporation of America	Reference Lab Testing Agreement	\$144,312.79
201	Lancaster, Andrew MD	Employment Agreement	\$0.00
202	Las Cruces Bulletin	Advertising Agreement	\$1,290.75
203	Las Ventanas	Apartment Leases	\$0.00

204	Laws, George MD	Employment Agreement	\$0.00
205	Lexi-Comp	Site License Agreement	\$0.00
206	Liberty Benefit Insurance	Consulting Services	\$0.00
207	LifeWatch Services Inc	Ambulatory Cardiac Telemetry and Event Monitoring Services	\$0.00
208	Lincoln County Medical Center	Transfer Agreement	\$0.00
209	Lindley, Norman MD	Employment Agreement	\$0.00
210	Lovelace Health Plan	Managed Care Contract	\$0.00
211	Lovell Communications, Inc	Consulting Services	\$0.00
212	M.A.S.T. (Military Assistant to Safety Traffic)	Memorandum of Agreement	\$0.00
213	Macro Helix, Inc	Consulting Service for 340(b) Drug Discount Program	\$0.00
214	Madison Medical	Product Placement Agreement	\$0.00
215	Management Health Solutions (MHS)	Clinical Inventory Valuation	\$0.00
216	Management Health Systems, Inc (MedPro Staffing)	Locum Tenen Service Agreement	\$0.00
217	Mansoor, Shahid MD	Employment Agreement	\$0.00
218	Marietta Biscuit Company, Inc.	Anciliary Services	\$0.00
219	Marshall Steele & Associates	Performance Management Agreement for Joint Program	\$1,425.00
220	Marshall Steele & Associates	Solvedge iPad for Joint Center	\$0.00
221	Martin, James W.	Lease Agreement for Ruidoso Sleep Center	\$0.00
222	Martin, Randall	Physical Therapy Contract Services	\$0.00
223	Masimo Corporation	Masimo Pulse Oximetry Supply Equipment Lease Agreement	\$0.00
224	Massoud, George MD	Employment Agreement	\$0.00
225	Mays & Associates	Polysomnography Services Agreement	\$0.00
226	McKesson Health Solutions	InterQual Utilization Software Agreement	\$1,850.00
227	McKesson/HBOC	Laser Arc Maintenance Agreement	\$0.00
228	Medela, Inc	MCU Breast Pump Rental Station Lease	\$4.89
229	Medicaid (NM Programs & Network Management)	Managed Care Contract	\$0.00
230	Medical Automation Systems	RALS Software Agreement	\$0.00
231	Medical Graphics Corporation	Platinum Elite DX System for Cardio	\$0.00
232	MEDLINE Industries, Inc.	Linen Consignment Agreement	\$0.00
233	Medquist	Dictation Service Agreement	\$0.00

234	MEDRAD	MRI and CT Injection Maintenance Agreement	\$0.00
235	Medtronic Sofamor Danek USA, Inc.	Pricing and Rebate Agreement	\$4,839.00
236	Memorial Medical Center	Transfer Agreement	\$0.00
237	Mentor Corporation	Business Associates Agreement	\$0.00
238	Mescalero Care Center	Transfer Agreement	\$0.00
239	Mescalero Care Center/Dialysis Facility	Staff Training Agreement	\$0.00
240	Mescalero PHS Indian Hospital	Transfer Agreement	\$0.00
241	Mesilla Valley Hospital	Transfer Agreement	\$0.00
242	Michigan Health & Hospital Association	Community Benefit Tracker Software Agreement	\$0.00
243	Midani, Fatma MD	Employment Agreement	\$0.00
244	Midwestern University/Glendale Campus	Clinical Affiliation Agreement	\$0.00
245	Milestone Healthcare	Management Service Agreement for IP Rehab Unit	\$115,042.55
246	Molina Healthcare	Managed Care Contract	\$0.00
247	Montoya, Donald MD	Employment Agreement	\$0.00
248	Montoya, Donald MD	Employment Agreement - 1st Amendment	\$0.00
249	Moolamalla, Surjit, MD	Employment Agreement	\$0.00
250	Mountain View Medical Center	Transfer Agreement	\$0.00
251	MSI International	Recruiting Agreement	\$0.00
252	MTI Studios	Advertizing Agreement	\$0.00
253	MultiPlan, Inc	Managed Care Contract	\$0.00
254	NACR	Fax Finder Maintenance Agreement	\$0.00
255	NACR	Telecommunication System Agreement	\$0.00
256	NACR	Telephone System Change Order	\$0.00
257	NACR	VOIP System for Bed Tower	\$0.00
258	Nalco Company	Treatment Agreement for Cooling Towers	\$0.00
259	NALCO Company	Water Treatment Service Agreement	\$2,536.50
260	National Collegiate Partners	Clinical Affiliation Agreement - Pharmacy	\$0.00
261	National Disaster Medical System	MOU for Definitive Medical Care	\$0.00
262	National Healthcare Safety Network	Infection Control Participation Agreement	\$0.00
263	National Medical Services	Physician Asst/Nurse Practitioner Contingency Agreement	\$0.00

264	New Mexico Heart Institute, PA	Echocardiology Agreement	\$7,324.15
265	New Mexico Medical Review Association	MOA for Performance of QI	\$0.00
266	Newman Outdoor Advertising	Billboard Advertising Agreement	\$1,032.60
267	NM Army National Guard	Agreement for Medical Care in Case of Mobilization	\$0.00
268	NM Coalition of Sexual Assault Program	SANE Program Agreement	\$0.00
269	NM Department of Health	Newborn Hearing Screenings	\$0.00
270	NM Department of Health (Children's Medical Services)	Provider Agreement	\$0.00
271	NM Department of Health (Children's Medical Services)	Birth Defects Data Acquisition Agreement	\$0.00
272	NM Department of Health (Breast & Cervical Cancer Program)	Provider Agreement	\$0.00
273	NM Department of Health (Hospital Preparedness Services)	Grant Agreement	\$0.00
274	NM Department of Health (NM Healthcare Associated Infections)	Agreement for Influenza Vaccination Reporting	\$0.00
275	NM Department of Health (Resource Designee)	Resource Designee Form	\$0.00
276	NM Department of Health (BHEM)	MOA for Bureau Health Emergency Management	\$0.00
277	NM Department of Health (Trauma)	MOU for Level III Trauma Care Services	\$0.00
278	NM Donor Services	Organ Harvesting Agreement	\$0.00
279	NM Hospital & Health Systems Association	Participation Agreement	\$0.00
280	NM Hospital Education & Research Foundation	Memorandum of Agreement for Preparedness Program	\$0.00
281	NM Human Services Department(Child Support Enforcement)	Paternity Forms Agreement	\$0.00
282	NM Travel Registry(HSC)	Nurse and Allied Health Agreement	\$0.00
283	NMSBVI	Professional Service Agreement for Pediatric Medical Services	\$0.00
284	NMSBVI	Professional Service Agreement for Blood Borne Pathogens	\$0.00
285	NMSU	Clinical Affiliation Agreement - Medical Technology	\$0.00
286	NMSU	Clinical Affiliation Agreement - Dietitians	\$0.00
287	NMSU	Clinical Affiliation Agreement - Nursing	\$0.00
288	NMSU	Right of Entry Agreement	\$0.00
289	NMSU Foundation	Alamogordo Nursing Education Current Use Fund	\$0.00
290	NMSU-A	Clinical Affiliation Agreement - Medical Office Assistants	\$0.00
291	NMSU-A	Clinical Affiliation Agreement - Nurse Aide	\$0.00
292	Nova Southeastern University	Clinical Affiliation Agreement - Physical Therapy	\$0.00

293	Numara Software, Inc	Track It Software Agreement	\$0.00
294	Olympus America, Inc	Software Service Agreement	\$983.90
295	Olympus Corporation	Equipment Service Agreement	\$0.00
296	Omniflight Helicopter Inc	Preferred Provider Agreement	\$0.00
297	Ortho-Clinical Diagnostics	Lab MTS Centrifuge Maintenance Agreement	\$0.00
298	Otero Community Cancer Center, LLC	Linear Accelerator and Building Agreement	\$0.00
299	Otero County, NM	Pledge Agreement for Medical Services for the Detention Center	\$0.00
300	Otero Oncology, PC	Lease Agreement	\$0.00
301	Pacific Companies	Physician Recruitment Agreement	\$0.00
302	Paperlesspay Corporation	Payroll Online Service Agreement	\$0.00
303	Paul, Allan MD	Lease Agreement	\$0.00
304	Payflex Systems USA, Inc	Flexible Spending Plan Administrator	\$0.00
305	Paylor, Shauna	Employment Agreement	\$0.00
306	PDS	Archiving Purged Medical Records	\$0.00
307	Pedro Montoya (The Olde Post Antique Mall)	Parking Agreement	\$0.00
308	Perez, German MD	Employment Agreement	\$0.00
309	Perfection Window Cleaning	Window Cleaning Service	\$0.00
310	Philips Medical Systems	Cardio MED III Maintenance Agreement	\$0.00
311	Philips Medical Systems	OB Equipment Agreement	\$0.00
312	Pima Medical Institute	Clinical Affiliation Agreement - Nursing	\$0.00
313	Pima Medical Institute	Clinical Affiliation Agreement - Diagnostic Imaging	\$0.00
314	Pinnacle Business Systems	AS400 Medseries Hardware/Software Service Agreement	\$0.00
315	Pitney Bowes, Inc.	DM525 Digital Mailing System Agreement	\$0.00
316	PNM (Public Service Company of NM)	Electric Service Agreement	\$1,326.00
317	Polymedco Inc.	Sedimat ESR Service Agreement	\$739.55
318	Premier Software Association Inc.	Medical Necessity Support Service Agreement	\$0.00
319	Premier Software Association Inc.	Premier Clearinghouse for Electronic Claims Submission	\$0.00
320	Presbyterian Health Plan	Managed Care Contract	\$0.00
321	Presbyterian Healthcare Services	Transfer Agreement	\$0.00
322	Presbyterian Medical Services	Monetary Donation to Chaparral Clinic	\$0.00

323	Presbyterian Medical Services	Monetary Donation to Chaparral Clinic	\$0.00
324	Presbyterian Medical Services	Monetary Donation to Otero County Clinics	\$0.00
325	Press Ganey Associates, Inc	Clinical Resource Management Software Agreement	\$0.00
326	Press Ganey Associates, Inc	Performance Measurement and Improvement Master Svc. Agreement	\$0.00
327	Providers First PPO	Managed Care Contract	\$0.00
328	Quality Sleep Solutions, Inc.	Sleep Lab Service Agreement	\$0.00
329	Quick, Ray	Land Lease Agreement - non revenue generating	\$0.00
330	Quinton Cardiology, Inc.	Stress Testing Equipment Maintenance Agreement	\$0.00
331	Quorum Health Resources, LLC	Hospital Administrative Service Agreement	\$0.00
332	Race, Charles MD	Employment Agreement	\$0.00
333	Race, Charles MD	Trauma Call Agreement	\$0.00
334	Records Management of America	Storage Agreement	\$0.00
335	Renal Care Group	Acute Dialysis Management Services	\$0.00
336	Renal Care Group	Acute Dialysis Management Services 1st Amendment	\$0.00
337	Renal Care Group	Affiliation Agreement for IP Diaylisis	\$0.00
338	Renal Care Group	Medical Director Agreement	\$0.00
339	Renal Care Group	Transfer Agreement	\$0.00
340	RESMED Corp	Sleep & Ventilation Equipment Rental Agreement	\$0.00
341	Retired Senior Volunteer Program (RSVP)	RSVP Program Agreement	\$0.00
342	Richardson, Gregory MD	Trauma Call Agreement	\$0.00
343	Rio Grande Radiological Physic	Physics Business Agreement in DI	\$0.00
344	RL Solutions	Risk Monitor Software Service Agreement	\$0.00
345	Roche Diagnostics	Urisys 2400/Blood Glucometer Maintenance Agreement	\$0.00
346	Roto Rooter/AAA Pumping Service	Grease Trap Cleaning	\$0.00
347	Sage Software, Inc.	Fixed Asset Software Agreement (Accounting)	\$0.00
348	Sakura Finetech USA, Inc	Histology Equipment Service Agreement	\$0.00
349	Sampath, Ruthven MD	Employment Agreement	\$0.00
350	San Juan College	Clinical Affiliation Agreement - Diagnostic Imaging	\$0.00
351	Saurage Strategic Marketing Research	Community Health Needs Assessment	\$0.00
352	SBS Security	Proofpoint Regulatory Compliance Agreement	\$239.00

353	Siebel, Celeste RN	Sexual Assault Nurse Examiner	\$0.00
354	Siemens Diagnostics Glasgow Business Community	ADVIA Centaur XP Service Agreement	\$9,160.00
355	Siemens Medical Solutions USA, Inc	Acuson P50 Software -Cardio	\$0.00
356	Siemens Medical Solutions USA, Inc	Acuson P50 Ultrasound System - Cardio	\$0.00
357	Siemens Medical Solutions USA, Inc	C-Arm Equipment Lease Agreement	\$0.00
358	Siemens Medical Solutions USA, Inc	HDX EDI Services for Bill Printing	\$0.00
359	Siemens Medical Solutions USA, Inc	Immulite 2000 Reagent Agreement	\$0.00
360	Siemens Medical Solutions USA, Inc	Medseries 4 Software Support Agreement	\$10,358.30
361	Siemens Medical Solutions USA, Inc	Sequoia Gold Contract Agreement	\$0.00
362	Siemens Medical Solutions USA, Inc	VPN Support Agreement	\$0.00
363	Siemens Medical Solutions USA, Inc	YSIC 1 Detector System	\$0.00
364	Siemens Medical Solutions USA, Inc	YSIC 2 Detector System	\$0.00
365	Sierra Providence East Medical Center	Transfer Agreement	\$0.00
366	Simmons, John Paul MD	EEG Interpretation Agreement	\$0.00
367	Simmons, John Paul MD	Sleep Study Interpretation Agreement	\$0.00
368	Smaltz, Robert MD	Lease Agreement	\$0.00
369	Smith, Terry CNM	Employment Agreement	\$0.00
370	SMS/Siemens Medseries 4	CT Service Agreement	\$0.00
371	Socha Company, Inc.	Boiler	\$0.00
372	Soft Computer consultants, Inc	Hardware/Software Agreement for Lab	\$0.00
373	Southern New Mexico Surgery Center, LLC	Transfer Agreement	\$0.00
374	Southwest Air Ambulance and Life Flight	Lease Agreement	\$0.00
375	Southwest Disposal	Garbage Service Agreement	\$2,636.74
376	Southwest Life & Health Insurance Company	Managed Care Contract	\$0.00
377	Spectra Laboratories	Water Service Agreement - Laboratory	\$0.00
378	Standing Stone, Inc.	Software Service Agreement	\$0.00
379	Starr, Larry MD	Employment Agreement	\$0.00
380	Starr, Larry MD	On-Call Agreement	\$0.00
381	Starr, Nancy MD	Employment Agreement	\$0.00
382	Staywell Custom Communications, LLC	Community Newsletter Publication	\$0.00

383	Stericycle, Inc	Medical Waste Pick up	\$7,035.56
384	Steris	Maintenance Agreement	\$79.60
385	Steris	Service Agreement for the OR	\$0.00
386	Stryker	Capital Lease Agreement for OR	\$11,531.40
387	Supreme Laundry & Cleaners	Laundry Service Agreement	\$557.76
388	Swank Healthcare	CE/CME Online Courses Agreement	\$1,884.99
389	Swank Healthcare	Statement of Work	\$0.00
390	Technical Vocational Institute Health Occupation Department	Clinical Affiliation Agreement -Nursing	\$0.00
391	Thawte, Inc	SSL Certificate	\$0.00
392	Thomas, Cheryl	Medical Staff Coordinator Service Agreement	\$393.88
393	Three 3M Consulting Services	3M 1cd-10 Documentation Assessment Services	\$0.00
394	Three 3M Health Information Systems	Software Service Agreement	\$0.00
395	Timeline Recruiting	Physician Recruitment Agreement	\$0.00
396	Total Destruction	Confidential Document Destruction Agreement	\$0.00
397	TRANE	HVAC Service Agreement	\$0.00
398	TriCare	Electronic Claims Agreement	\$0.00
399	Tucker, Elizabeth MD	Trauma Call Agreement	\$0.00
400	Tyco Healthcare Group	Exchange and License Agreement	\$0.00
401	Uniform Data Systems for Medical Rehab	Web-based Software Program for IP Rehab	\$0.00
402	United Blood Services	Hospital Service Agreement	\$71,998.94
403	United Healthcare Insurance Company	Managed Care Contract	\$0.00
404	Universal Hospital Service, Inc.	BioMed Service Agreements	\$175,029.22
405	Universal Hospital Service, Inc.	Mobile CT Agreement April 2011	\$33,000.00
406	University Medical Center of El Paso	Transfer Agreement	\$0.00
407	University of Cincinnati	Clinical Affiliation Agreement - Laboratory	\$0.00
408	University of New Mexico	Clinical Affiliation Agreement - PA	\$0.00
409	University of New Mexico	Clinical Affiliation Agreement - Pharmacy	\$0.00
410	University of New Mexico	Clinical Affiliation Agreement - Preceptorship	\$0.00
411	University of New Mexico	Clinical Affiliation Agreement - PT	\$0.00
412	University of New Mexico	MOA Video Phone Contract	\$0.00

413	University of New Mexico	MOU between Otero County and UNM	\$0.00
414	University of New Mexico	Transfer Agreement	\$0.00
415	University of New Mexico Health Science Center	Facility Temporary Services Coverage Agreement	\$0.00
416	University of New Mexico Hospital	Patient Transfer Agreement	\$0.00
417	University of New Mexico Hospital	Transfer Agreement	\$0.00
418	University of St. Francis	Clinical Affiliation Agreement - PA	\$0.00
419	University of Texas-ELP	Clinical Affiliation Agreement -	\$0.00
420	Up-To-Date	On-line Subscription	\$0.00
421	Vanguard Systems	AS400 Imaging/Scanning Support	\$6,537.64
422	Vanguard Systems	Consulting Services for A/P scanning	\$0.00
423	VAWA (Violence Against Women)	STOP VAWA Grant Agreement	\$0.00
424	Vision Solutions, Inc.	iTera Monitoring Agreement	\$0.00
425	Weatherby Locums	Locum Tenen Pediatrics Coverage	\$0.00
426	Wells Fargo	Online Banking Agreement	\$0.00
427	Western Commerce Bank	Insurance Premium Financing Agreement	\$0.00
428	White Sands Healthcare Systems, LLC	Credentialing Delegation Standards Agreement	\$0.00
429	Whittington, Sarah CNM	Employment Agreement	\$0.00
430	William Beaumont Army Medical Center	Transfer Agreement	\$0.00
431	Windstream	Ethernet Access for Sleep Center	\$793.68
432	Wolters Kluwer Health, Inc.	Lippincott Electronic Reference Material	\$0.00
433	Worthington, Dennis MD	Employment Agreement	\$0.00
434	X-Ray Associates of New Mexico PC	Lease Agreement	\$0.00
435	X-Ray Associates of New Mexico PC	Radiology Management Agreement	\$0.00
436	X-Ray Associates of New Mexico PC	Radiology Transcription Service Agreement	\$17,140.87
437	X-Ray Associates of New Mexico PC	Teleradiology Service Agreement	\$46,331.00
438	Yang, Michelle MD	Lease Agreement	\$0.00
Total:			\$3,314,477.89