



# GENERAL HEALTH SYSTEM

5757 Corporate Boulevard • Suite 201  
Baton Rouge, Louisiana 70808  
225-237-1500

June 15, 2001

Mr. J. Robert Wooley  
Acting Commissioner of Insurance  
Louisiana Department of Insurance  
950 North 5<sup>th</sup> Street  
Baton Rouge, LA 70804

BY HAND

Gulf South Health Plans, Inc.  
Attention: Mr. Adam Short  
Chief Financial Officer  
5615 Corporate Boulevard  
Baton Rouge, Louisiana 70808

BY HAND

Gentlemen:

I am writing in furtherance of our discussions to transmit the proposal by General Health System ("**General Health**") for its contributions to the plan which Acting Commissioner Wooley intends to submit to the Court for the wind up of the affairs of Gulf South Health Plans, Inc. ("**Gulf South**"). During the course of our discussions, General Health has made its staff and books and records available to you and your staff and has responded to numerous questions from you and your staff as to its financial resources.

As you know, General Health was unsuccessful in its efforts to sell its ownership interest in Gulf South, its licensed health maintenance organization subsidiary. Thereafter, Gulf South, with the assistance of the Louisiana Department of Insurance, entered into an agreement with The OATH for Louisiana, Inc., providing for The OATH for Louisiana, Inc., to assume all of Gulf South's commercial business (other than Gulf South's contract with the East Baton Rouge Parish School Board) effective May 1, 2001, and obtained the approval of the federal Health Care Financing Authority to withdraw from the M+C Medicare program at the end of April 2001.

General Health is proposing hereby to make significant contributions to the wind up of the affairs of Gulf South so that Gulf South will be able to pay **in full** over time all valid claims owing to its enrollees, providers and other creditors. Although General Health's limited financial resources do not permit it to make cash contributions to Gulf South so that it may pay these claims

on a current basis as they are adjudicated by Gulf South, its proposal does provide the funding mechanism for the payment **in full** of all valid claims owing by Gulf South. General Health's proposal also gives consideration to the importance of assuring the continued viability of General Health, a nonprofit, community mission healthcare delivery system, that is essential to Baton Rouge and the surrounding communities. It is our sincere hope that this proposal will be acceptable to you and will be recommended by you to and approved by the Court in which the petition for the wind up of Gulf South will be filed, and that we will be able to continue to work cooperatively with you through this process in order to achieve a result which is fair and satisfactory to all.

### **Sale Efforts**

As you know, General Health retained Salomon Smith Barney ("**SSB**") in October 2000, to assist it with the proposed sale of Gulf South and thereafter proceeded with an aggressive sale process intended to result in a sale transaction on terms which would be acceptable to the Commissioner of the Insurance of the State of Louisiana (the "**Commissioner**") as well as would be within the financial resources of General Health. General Health was willing to make additional capital contributions to Gulf South in connection with the sale within its existing financial constraints, in order to enable a sale to be consummated and to avoid potential litigation. In making such additional capital contributions, General Health intended to reserve its rights to recover from its recently terminated management company, Adventist Health System Sunbelt Healthcare Corporation ("**AHS**"), all losses incurred by Gulf South and funded by General Health during the AHS management period (March 20, 1998, through March 21, 2001), as well as to recover other losses, expenses and damages from AHS.

The sale process was unsuccessful in that, after the results of operations of Gulf South for the month of February 2001 became known and were significantly worse than Gulf South anticipated, the proposed purchaser advised SSB that it was willing to proceed with a purchase of Gulf South only on terms which would have required a capital contribution by General Health to Gulf South significantly higher than that initially contemplated. This increased capital contribution by General Health would have likely caused a violation of covenants under General Health's Master Trust Indenture and the related Loan Agreements relating to approximately \$130 million of General Health's outstanding bonds, and would have impaired the future viability of General Health. Further, there remained a number of uncertainties relating to the ability to successfully consummate the sale transaction. Thus, General Health ceased further efforts at the end of March 2001 to seek a proposed sale transaction of its ownership interest in Gulf South. In connection therewith, General Health requested that AHS contribute the additional capital amount required to consummate a sale transaction with the proposed purchaser, but AHS rejected this request.

### **Overview of the Wind Up of the Affairs of Gulf South Health Plans, Inc.**

General Health understands that the Commissioner is considering a wind up of the affairs of Gulf South pursuant to a wind up plan (the "**Wind Up Plan**") under La. R.S. 22:2013(F).

Based upon discussions which have been ongoing between representatives of General Health, Gulf South and the Commissioner, General Health has the following understanding with respect to the Wind Up Plan being considered by the Commissioner:

The Wind Up Plan would be incorporated in a petition to be filed in June 2001, by the Commissioner in the Nineteenth Judicial District Court, Parish of East Baton Rouge, State of Louisiana (the "**Court**") as authorized by La. R.S. 22:2013(F). Gulf South would consent to the allegations in the petition. The Wind Up Plan would be subject to the approval of the Court and would provide for the affairs of Gulf South to be wound up under the administrative regulation by the Commissioner in accordance with the terms of the Wind Up Plan. Gulf South would remain in existence as a separate corporation during the period of the wind up and retain such staff as is necessary to implement the Wind Up Plan, which staff would be subject to the administrative regulation by the Commissioner. The expenses attributable to the employment of such staff would be an administrative cost under the Wind Up Plan. The Court would set a cut off date by which claims of enrollees, providers and other creditors of Gulf South for services covered by Gulf South's policies and plans (the "**Submitted Claims**") must be submitted, which date (the "**Claims Bar Date**") will be the earlier of the date required in the related enrollee's, provider's or other creditor's contract with Gulf South or the date specified by the Court. All timely filed Submitted Claims would be adjudicated for validity by the Gulf South staff under the administrative regulation by the Commissioner. The Court would retain jurisdiction over Gulf South and the Wind Up Plan, and Gulf South would remain subject to the administrative regulation by the Commissioner, until all payments required to be made to enrollees, providers and other creditors of Gulf South under the Wind Up Plan have been made. Periodic reports on the status of the Wind Up Plan, prepared by the Gulf South staff and approved by the Commissioner, would be filed with the Court at such times and containing such information as the Court may require. All policies and plans of Gulf South pursuant to which it is required to provide coverage to enrollees, other than under the contract (the "**EBRPSB Contract**") between Gulf South and the East Baton Rouge Parish School Board (the "**School Board**"), were assumed, transferred or cancelled prior to May 1, 2001, and General Health is informed that, pursuant to an agreement between the School Board and Gulf South, the EBRPSB Contract terminated on May 15, 2001. Accordingly, Gulf South now provides no further coverage to any enrollees, except to those under the self-funded plans administered by Gulf South or its subsidiaries until they are transferred or terminated.

Under the Wind Up Plan:

(a) (I) Gulf South would agree to pay, over the time period described below, 100% of the amounts owed by it to enrollees (with respect to out-of-network covered services received by them prior to May 1, 2001, and paid for by them) and providers (with respect to services rendered to Gulf South enrollees, other than under the EBRPSB Contract), for services rendered prior to May 1, 2001 and for services rendered to and including May 15, 2001, under the EBRPSB Contract (subject, of course, to their claims being valid and timely).

(II) Payments made pursuant to clause (a)(I) above to such enrollees and the out-of-network providers would be paid from Gulf South's available cash, prior to payments being made to Gulf South's in-network providers.

(III) No payments will be made to General Health's hospitals and other affiliates except First Care, Inc., and the home health care division of Behavioral Health, Inc., for services provided by them to Gulf South's enrollees until all other providers have been paid in full. The aggregate amount to be deferred by General Health is presently estimated by it to be \$13.6 million.

(b) Payments by Gulf South of the valid and timely claims of its in-network providers would be deferred and would be paid, without interest (unless interest may be payable from the recovery made against AHS pursuant to clause (iv) of the General Health Proposal), from (I) Gulf South's cash remaining after the payments pursuant to clause (a) in excess of a cash reserve to be retained by Gulf South, in an amount approved by the Commissioner, for the estimated future administrative costs of the Wind Up Plan and (II) the future cash contributions to be made by General Health to Gulf South as provided in the General Health Proposal. The deferred amount to be funded by General Health is presently estimated by it to be \$28 million (in addition to the deferred amount presently estimated by it to be \$13.6 million). The cash amounts contributed by General Health would be distributed by Gulf South to in-network providers of Gulf South until their allowed claims are paid in full, and then to the remaining creditors of Gulf South until their allowed claims are paid in full. The allowed claims of all enrollees, providers and other creditors of Gulf South will be extinguished upon their receipt of payment thereof under the Wind Up Plan.

The Wind Up Plan would not include the administration of self-funded plans administered by Gulf South or its subsidiaries. The administration of these self-funded plans, which are subject to ERISA, will be segregated from the administration of the Wind Up Plan.

### **General Health's Proposal**

Enclosed herewith as Exhibit I is General Health's proposal to contribute to the Wind Up Plan (the "**General Health Proposal**") so that all allowed claims owed to its providers and other creditors may be paid **in full**. The General Health Proposal sets forth the manner in which General Health will fund the contributions to be made by it to Gulf South as contemplated by the September 17, 1997 letter from it to the Commissioner.

As you will note from a review of the General Health Proposal, General Health will defer and subordinate amounts owed by Gulf South to its hospitals and other providers, presently estimated by it to be \$13.6 million, until all other providers are paid in full. In addition, General Health will make cash contributions to Gulf South, presently estimated by it to be \$28 million, to provide the funds with which Gulf South can pay **in full** all allowed claims. The cash contributions will be derived by General Health from (i) its sale of various real estate properties and operations, with an amount equal to the net proceeds thereof, presently estimated by it to be \$12 million, to be contributed to Gulf South as such sales are completed (with June 2002 being the anticipated date by it by which such sales can be completed), and (ii) its future operations over a period of approximately 4½ years pursuant to a schedule as set forth in the General Health Proposal. An earlier payout may be possible if pursuit by General Health on behalf of Gulf South of claims against

AHS is successful. The obligation of General Health to take these actions and make these contributions are subject to various terms, provisions and conditions as are set forth in the General Health Proposal.

### **Claims Against Adventist Health System**

The management of the operations of Gulf South by AHS terminated on March 21, 2001. Under the terms of the Management Agreement between General Health, Gulf South, and other subsidiaries of General Health, on the one hand, and AHS, on the other hand, AHS was retained to manage and operate the operations of Gulf South. Pursuant to Section 9 of the Management Agreement, AHS agreed that in performing its obligations thereunder, it would act "in good faith, with reasonable diligence, and in such a manner as to ensure that the Business is operated in a manner that meets the community standard and is operated on a fiscally prudent basis and consistent with the financial resources of the Business." (Emphasis supplied) General Health is undertaking a performance review of AHS to confirm its current belief that AHS breached its contractual obligations under Section 9. In the view of General Health, the substantial and continuing losses of Gulf South appear to make such a breach obvious.

In Section 11(c) of the Management Agreement, AHS agreed to indemnify, defend and hold harmless General Health and/or Gulf South "against any loss, expense and other damage resulting from (i) any breach by [AHS] of any of its covenants, duties and obligations set forth in this Agreement; and (ii) any claim which is brought or asserted by third parties against [General Health/Gulf South] arising out of [AHS'] operation of the Business or any act or omission of an employee of [AHS] or an affiliate of [AHS] in performing their employment duties and/or obligations under this Agreement."

**General Health believes its performance review of AHS will confirm that, under the foregoing provisions of the Management Agreement, AHS is responsible to fund the losses, expenses and other damages of Gulf South which have not previously been funded by General Health, and is also responsible to General Health for the losses, expenses and other damages relating to Gulf South (and other subsidiaries of General Health) incurred by General Health. Under the General Health Proposal, General Health will be permitted to pursue, on behalf of Gulf South, the claims of Gulf South against AHS as well as pursue its own independent claims against AHS.**

### **Conclusion**

General Health System is a nonprofit, community mission corporation and its hospitals and other healthcare facilities are an essential component of the healthcare delivery system of Baton Rouge and surrounding communities. General Health's hospitals provide, without compensation, approximately \$15 million of care to the indigent population per year. Further, General Health's hospitals play a critical role in medical education as over 100 residents annually rotate through them as part of a comprehensive teaching program. In addition, General Health operates a nursing school which is training new nurses to help meet the nursing shortage both locally and

nationwide. General Health is also active in medical research. Finally, it is one of the largest employers in our area.

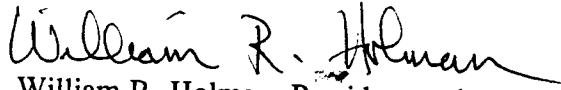
The General Health Proposal is intended to provide the funding for the payment **in full** of all valid claims by Gulf South's enrollees, providers and other creditors in an orderly wind up of Gulf South, subject to the administrative regulation by the Commissioner, pursuant to the Wind Up Plan to be approved by and to be subject to the continuing jurisdiction of the Court. It is also intended to assure the continued viability of the General Health healthcare delivery system so that it can fulfill its vital mission while remaining a tax exempt organization in compliance with its bond covenants. Pursuant to the General Health Proposal, General Health, through deferrals and subordinations of substantial amounts owed to its hospitals and other affiliates by Gulf South (presently estimated by it to total \$13.6 million) and future cash contributions to Gulf South (presently estimated by it to total \$28 million), would make possible the payment **in full** of all amounts owing by Gulf South to its enrollees, providers and other creditors.

The General Health Proposal has been submitted for consideration by and approved by its Board of Trustees. This proposal by General Health to contribute to the Wind Up Plan is in no way an admission that it or any of its other affiliates are legally responsible for the debts or other liabilities of Gulf South, or that it or any of its other affiliates are liable in any way to the enrollees, providers or other creditors of Gulf South or to the Commissioner.

The General Health Proposal is consistent with and will promote the purposes of the Wind Up Plan. In the view of General Health, it is in the best interest of the enrollees, subscribers, providers and other creditors of Gulf South. General Health appreciates your concern and statutory duty to protect the interests of these individuals and has worked hard to accommodate your requests to do so in formulating the General Health Proposal. General Health understands from you that you will recommend approval of the General Health Proposal to the Court.

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Sincerely,



William R. Holman, President and  
Chief Executive Officer

WRH/lb  
Enclosures  
cc: Nanette N. Kelley, Chairman

**Exhibit I - General Health Proposal**

**Attachment A to Exhibit I -** General Health System Cash Contributions to Wind Up  
Plan for Gulf South Health Plans, Inc.

**Attachment B to Exhibit I -** Operations and Real Estate To Be Sold

## Exhibit I

### General Health's Proposal for Its Contributions to the Wind Up Plan

General Health System ("**General Health**") hereby makes the following proposal (the "**General Health Proposal**") for its contributions to the plan of the Commissioner of Insurance of the State of Louisiana (the "**Commissioner**") for the wind up (the "**Wind Up Plan**") of the affairs of Gulf South Health Plans, Inc. ("**Gulf South**") which Wind Up Plan will be submitted by the Commissioner for approval by the Nineteenth Judicial District Court, Parish of East Baton Rouge, State of Louisiana (the "**Court**"), and upon approval of the Wind Up Plan and the General Health Proposal by the Court and the issuance of the orders contemplated by the Wind Up Plan and the General Health Proposal, the General Health Proposal will thereupon become the legal obligation of General Health:

(i) General Health will subordinate and defer payment of the unpaid amounts owed to General Health's hospitals and other affiliates (except those identified in clause (ii) below) by Gulf South for services provided to Gulf South's enrollees until payment in full of the allowed claims of other providers by Gulf South has been made. The deferred and subordinated amounts by General Health under this clause (i) are presently estimated by it to total approximately \$13.6 million. The affiliates referenced in this clause (i) are Baton Rouge General Medical Center, Interlink, Behavioral Health, Inc. (other than its home health care services division), and Advanced Medical Concepts.

(ii) The subordination and deferral of payments to General Health's hospitals and other affiliates pursuant to clause (i) above do not include payments for services provided by the following General Health wholly-owned subsidiaries (or divisions thereof) to Gulf South's enrollees: First Care, Inc., and Behavioral Health, Inc.'s home health care services division. These General Health affiliates will be paid by Gulf South in the same manner as other in-network providers.

(iii) (a) (I) General Health will make cash contributions to Gulf South: (w) from the net proceeds of the sale of certain operations\* and real estate properties as provided in clause (iii)(a)(VI) below, currently estimated to be between \$10 million and \$12 million and (x), on a quarterly basis, in the amounts reflected on Attachment A attached hereto and made a part hereof (collectively, the "**Cash Contributions**"); provided, General Health will be obligated to make each such **Cash Contribution** and sell such operations and real estate properties only to the extent that doing so would not (y) cause a breach by General Health under its Master Trust Indenture or under the related Loan Agreements, as heretofore or hereafter amended (collectively, the "**Bond Covenants**"), relating to approximately \$130 million of General Health's presently outstanding bonds, of which a significant portion is insured by MBIA Insurance Corporation ("**MBIA**"), and the additional and/or refunded bonds necessary to fund the expansion of its subsidiary's hospital at its Bluebonnet campus that is required to increase General Health's revenues to permit it to make the quarterly Cash Contributions (such presently outstanding and additional bonds, and any refundings thereof, the "**Bonds**") or (z) cause General Health, or any of its nonprofit subsidiaries which will be making the sales pursuant to clause (iii)(a)(VI), to lose their status as tax exempt organizations, or incur sanctions, under Section 501(c)(3) of the Internal Revenue Code; and in the event that General Health cannot make any Cash Contributions to Gulf South or sell such assets without breaching the



Bond Covenants or losing its (or its subsidiaries') status as a tax exempt organization (or incurring sanctions), the amount thereof which would cause the breach or loss of such tax-exempt status (or such sanctions) will be deferred until the earliest subsequent Cash Contribution date on which payment thereof would not cause a breach or loss of such status. The total of the Cash Contributions to be made by General Health to Gulf South to pay the deferred amounts owed by Gulf South under the Wind Up Plan is presently estimated by it to be \$28 million.

(II) If the costs of the Wind Up Plan exceed the amount of the Cash Contributions set forth on Attachment A, General Health will continue to make quarterly Cash Contributions (in the amount of \$1,000,000 and subject to the same terms and conditions as set forth in clause (iii)) until the excess is paid. If the total costs of the Wind Up Plan are less than the amount of the Cash Contributions from the sales pursuant to clause (iii)(a)(IV) and as set forth on Attachment A, General Health's obligation to contribute will be reduced accordingly.

(III) Other than the administrative costs of the Wind Up Plan, the costs to be paid from General Health's Cash Contributions will be limited to those permitted under the wind up statute. General Health will be permitted under the Wind Up Plan to receive notice of and object to claims filed by enrollees, providers or other creditors of Gulf South and have its objection considered by the Court.

(IV) Under the General Health Proposal, if General Health receives a "windfall" during the period of the wind up, it intends to apply the net cash proceeds thereof actually received by General Health to the remaining unpaid quarterly Cash Contributions reflected on Attachment A, such application to be made in the inverse order of the dates on which such contributions will be made (distributions of allowed claims to be made as provided in the Wind Up Plan). General Health is unaware at this time of any "windfall". General Health will disclose any "windfall" to the Commissioner and to the Court and, in connection with such disclosure, provide an explanation of its intended use of the net proceeds thereof. For purposes hereof, "windfall" shall mean only a one time, extraordinary transaction which is both unplanned and unforeseen by General Health. Further, the application of the net cash proceeds of a "windfall" by General Health to the remaining unpaid quarterly Cash Contributions reflected on Attachment A would not be made if doing so would cause a breach of the Bond Covenants or loss of tax exempt status (or incurrance of sanctions).

(V) Until all the allowed claims against Gulf South are paid in accordance with the Wind Up Plan: (x) General Health will provide copies to the Commissioner and the Court, under a protective order approved by the Court, of all reports it makes to the Trustee and MBIA under the Master Trust Indenture and the related Loan Agreements; and (y) General Health will not pay, without approval by the Court, incentive compensation to its executive management in amounts in excess of that provided in its existing plans, programs and contracts.

(VI) To the extent it has not already done so, General Health will, and will cause its related subsidiaries to, promptly: (x) use commercially reasonable efforts to sell for cash at no less than fair market value (1) Vermilion Hospital, a psychiatric hospital located in Lafayette, Louisiana, and owned by its nonprofit subsidiary Behavioral Health, Inc., and (2) the two nursing

homes in Baton Rouge, Louisiana, owned by its nonprofit subsidiary, General Living Centers, Inc.; (y) list for sale the real estate property owned by it or its "non-restricted" affiliate which is listed on Attachment B attached hereto and made a part hereof, and use commercially reasonable efforts to sell such real estate property for cash at no less than fair market value (the appraised values of such properties are shown on Attachment B), and (z) contribute an amount equal to the net proceeds of such sales to Gulf South. The obligation of General Health to make, or to cause its related subsidiaries to make, such sales and contribute the net proceeds to Gulf South shall be subject to the restrictions and other terms set forth in this clause (iii), including, but not limited to, remaining in full compliance with the Bond Covenants and not impairing the Section 501(c)(3) status of itself or any affiliate (or subjecting it or any affiliate to sanctions), and obtaining necessary consents and approvals from the Attorney General of the State of Louisiana as to the compliance of such actions with applicable charitable trust and purpose laws of the State of Louisiana.

(b) The obligation of General Health to make the Cash Contributions to Gulf South will be subordinated to its repayment obligations under the Bonds.

(c) (i) Settlement of allowed claims by Gulf South will be subject to the approval of the Commissioner, as administrative regulator of Gulf South, and the Court.

(ii) During the wind up period, General Health will not be foreclosed by the Wind Up Plan from negotiating settlements, on an individual basis, with one or more providers of the deferred amounts owed to them by Gulf South. Funding of such settlements will be the responsibility of General Health, but will not reduce General Health's obligation to make the Cash Contributions pursuant to clause (iii)(a)(VI) or as reflected on Attachment A until all remaining allowed claims of Gulf South have been paid in full. General Health will provide notice to the Commissioner and the Court of any such settlements.

(d) As a condition for General Health's agreements and commitments as set forth herein, it is necessary that the Court issue forthwith upon the filing of the petition by the Commissioner for the wind up of Gulf South, an enforceable order to enjoin and stay during the wind up period any claims, actions or suits against General Health, its other affiliates, their insurers, and their respective officers, directors and representatives, by enrollees, providers and other creditors of Gulf South seeking to hold it or any one or more of them liable for Gulf South's obligations.

(iv) General Health will be permitted to pursue, on behalf of Gulf South, such rights and claims as Gulf South may have against Adventist Health System Sunbelt Healthcare Corporation and its insurers ("AHS"), with Gulf South's recovery to be applied, after costs, to pay:

(I) first, the deferred amounts, if any, then owing to Gulf South's providers (subject to the subordination and deferral by General Health's hospitals and other affiliates described in clause (i) above),

(II) second, the amount for which General Health is entitled to subrogation pursuant to clause (v), and

(III) third, the deferred amounts, if any, then owing to Gulf South's other creditors.

Application of such recovery pursuant to clause (I) and (III) will reduce General Health's obligation (as described in clause (iii)) to make future Cash Contributions to Gulf South to the extent of the recovery. General Health will fund the cost of the litigation on Gulf South's behalf with such costs (including, without limitation, attorney fees) to be reimbursed from any recovery by Gulf South prior to application of the remaining portion as set forth above in this clause (iv). To the extent that the recovery on behalf of Gulf South, after costs, exceeds the amount needed to pay in full the amounts provided in clauses (I), (II) and (III) of this clause (iii), such excess amount shall be distributed as interest to the providers and other creditors of Gulf South in a manner as determined by the Court.

General Health will not be restricted in pursuing its own, independent claims against AHS and, in this regard, may request, to the extent it deems necessary, that the Court permit it to utilize the same counsel in pursuing claims on behalf of Gulf South and General Health, respectively. The allocation of any settlement proceeds from the pursuit of the claims of both Gulf South and General Health will be subject to the approval of the Commissioner and the Court.

(v) To the extent that General Health (I) defers and subordinates amounts owed to its hospitals and other affiliates by Gulf South and (II) makes Cash Contributions to the Wind Up Plan in accordance with the General Health Proposal, it will be subrogated to the rights of Gulf South against AHS (in addition to its independent rights against AHS).

(vi) Any amounts owing by General Health to Gulf South will be reduced by and offset against the amounts described in clause (v).

(vii) The General Health Proposal will expire and be of no further force or effect unless the Wind Up Plan and the General Health Proposal is approved by the Court and the Court issues the orders described herein on or before June 22, 2001. Upon such approval by the Court and issuance of such orders, the General Health Proposal shall become a legal obligation of General Health, shall constitute the entire agreement of General Health with respect to the subject matter thereof. If such approval and issuance of such orders by the Court is not obtained as reflected in an order of the Court entered no later than June 22, 2001, the General Health Proposal shall be of no further force and effect.

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General Health System

By: William R. Holman  
William R. Holman, President and  
Chief Executive Officer

Date: June 15, 2001

## Attachment A

### General Health System Cash Contributions to Wind Up Plan for Gulf South Health Plans, Inc.

- The total amount presently estimated by General Health to be paid out by Gulf South: \$41.6 million
  
- Of this amount, General Health will subordinate and defer, until all other providers are paid in full, amounts owed to its hospitals and other affiliates, presently estimated by General Health to total: \$13.6 million
  
- Remaining amount to be paid by Gulf South to its other providers and creditors: \$ 28 million
  - Estimated net proceeds from sales of real estate properties and operations by General Health, anticipated to be completed within the next 12 months, to be contributed to Gulf South (see Attachment B): \$ 12 million
  
  - Amount to be funded from General Health's quarterly Cash Contributions as set forth below: \$ 16 million

November 15, 2001	\$ 500,000	February 15, 2004	\$ 750,000
February 15, 2002	500,000	May 15, 2004	750,000
May 15, 2002	500,000	August 15, 2004	750,000
August 15, 2002	500,000	November 15, 2004	1,250,000
November 15, 2002	1,000,000	February 15, 2005	1,250,000
February 15, 2003	1,000,000	May 15, 2005	1,250,000
May 15, 2003	1,000,000	August 15, 2005	1,250,000
August 15, 2003	1,000,000	November 15, 2005	1,250,000
November 15, 2003	750,000	February 15, 2006	750,000

Attachment B

Operations and Real Estate To Be Sold

<u>Owner</u>	<u>Property</u>	<u>Appraised Value</u>
Behavioral Health, Inc.	→ Vermilion Hospital	\$ 2,370,000
General Living Center, Inc.	2 Baton Rouge Nursing Homes	\$ 8,975,000
Medical Diagnostics Services, Inc.	Goya Building	\$ 555,000
General Health System	North Boulevard Medical Plaza	\$ 970,000
General Health System	Voss Building	\$ 475,000
General Health System	Professional Medical Suites	\$ 230,000
		<u>\$13,575,000</u>