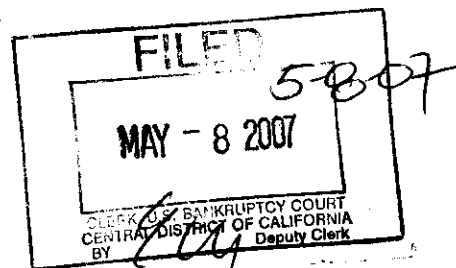


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 7 a Municipal Joint Powers Authority

8 **UNITED STATES BANKRUPTCY COURT**
 9 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**

10 In re
 11 TRI-CITY MENTAL HEALTH CENTER, a
 12 Municipal Joint Powers Authority,
 13
 14 Debtor.
 15 Tax Id # 95-3775190.

CASE NO. LA 04-13167 BR

Chapter 9

**AMENDED PLAN FOR THE ADJUSTMENT
 OF DEBTS OF TRI-CITY MENTAL HEALTH
 CENTER, A MUNICIPAL JOINT POWERS
 AUTHORITY, DATED DECEMBER 12, 2006**

Confirmation Hearing

Date: June 12, 2006
 Time: 10:00 a.m.
 Place: Hon. Barry Russell
 Courtroom 1668
 255 East Temple Street
 Los Angeles, CA 90012

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1 Tri-City Mental Health Center, a Municipal Joint Powers Authority and a
2 debtor under chapter 9 of the United States Bankruptcy Code ("Tri-City" or "Debtor"),
3 hereby proposes the following "Amended Plan For The Adjustment of Debts of Tri-City
4 Mental Health Center, a Municipal Joint Powers Authority, Dated December 12, 2006"
5 (the "Plan") pursuant to section 941 of the Bankruptcy Code.

6 Please refer to the accompanying "Amended Disclosure Statement With
7 Respect To The Amended Plan For The Adjustment of Debts of Tri-City Mental Health
8 Center, a Municipal Joint Powers Authority, Dated December 12, 2006" ("Disclosure
9 Statement") for a discussion of Tri-City's history, operations, and financial condition, and
10 for a summary and analysis of this Plan and other important information. Tri-City
11 encourages you to read this Plan and the Disclosure Statement in their entirety before
12 voting to accept or reject this Plan. No materials other than the Disclosure Statement
13 and the various Exhibits and Schedules attached to or incorporated therein have been
14 approved by the Bankruptcy Court for use in soliciting acceptance or rejections of this
15 Plan.

16 **ARTICLE 1**
17 **DEFINITIONS**

18 For purposes of this Plan, the following terms shall have the meanings
19 specified below. Any term used in this Plan that is not otherwise defined in this Article I
20 shall have the meaning assigned to that term in the Bankruptcy Code and in the
21 Bankruptcy Rules.

22 **1.1 Administrative Claim** means any Claim for an administrative
23 expense of the kind described in sections 503(b) or 507(a)(1) of the Bankruptcy Code,
24 other than a CAL DMH Administrative Claim or an LAC DMH Administrative Claim.

25 **1.2 Allowed** means a Claim that:

26 (i) Has been deemed filed within the meaning of section 925 of
27 the Bankruptcy Code, and as to which (i) no proof of Claim has been filed in compliance
28

1 with section 501 of the Bankruptcy Code, and (ii) no objection has been filed within the
2 deadline established pursuant to Section 9.12.1 of the Plan;

3 (ii) Is asserted in a proof of Claim filed in compliance with section
4 501 of the Bankruptcy Code and any applicable orders of the Bankruptcy Court and as to
5 which (i) no objection has been filed within the deadline established pursuant to Section
6 9.12 of the Plan; (ii) the Bankruptcy Court has entered a Final Order allowing all or a
7 portion of such Claim (but only in the amount so allowed); or (iii) the Bankruptcy Court
8 has entered a Final Order under section 502(c) of the Bankruptcy Code estimating the
9 amount of the Claim for purposes of allowance; or

10 (iii) Is an Administrative Claim as to which the Bankruptcy Court
11 has entered a Final Order allowing all or a portion of such Claim (but only in the amount
12 so allowed).

13 **1.3 Allowed General Unsecured Claim** means a General Unsecured
14 Claim that is an Allowed Claim.

15 **1.4 Allowed Secured Claim** means a Secured Claim that is an Allowed
16 Claim.

17 **1.5 Avoidance Claims** means Causes of Action against Persons arising
18 under Section 502, 510, 544, 545, 547, 548, 549(a),(c),(d), 550, 551, 552 and 553 of the
19 Bankruptcy Code, or under related state or federal statutes and common law, including
20 fraudulent transfer laws, whether or not litigation is commenced to prosecute such
21 Causes of Action.

22 **1.6 Ballots** means the ballot(s), in the form(s) approved by the
23 Bankruptcy Court in the Plan Solicitation Order, accompanying the Disclosure Statement
24 and that is provided to each holder of a Claim entitled to vote to accept or reject this Plan,
25 on which such holders may vote to accept or reject this Plan.

26 **1.7 Bankruptcy Code** means Title 11 of the United States Code, as
27 amended from time to time, as applicable to the Chapter 9 Case.

28

1 **1.8 Bankruptcy Court** means the United States Bankruptcy Court for
2 the Central District of California, Los Angeles Division, before which the Chapter 9 Case
3 is pending, or in the event such Bankruptcy Court ceases to exercise jurisdiction over the
4 Chapter 9 Case, such Bankruptcy Court or adjunct unit thereof that exercises jurisdiction
5 over the Chapter 9 Case in lieu of the United States Bankruptcy Court for the Central
6 District of California.

7 **1.9 Bankruptcy Rules** means the Federal Rules of Bankruptcy
8 Procedure, as amended from time to time, as applicable to the Chapter 9 Case, together
9 with the local rules of the Bankruptcy Court applicable to the Chapter 9 Case. Unless
10 otherwise indicated, references in this Plan to "Bankruptcy Rule" are to the specifically
11 identified rule of the Federal Rules of Bankruptcy Procedure.

12 **1.10 Bar Date** means June 24, 2004, the last day for filing proofs of claim
13 against the Debtor as fixed by order of the Bankruptcy Court other than for: (i) claims
14 arising from rejection of executory contracts or unexpired leases; (ii) claims of
15 Governmental Units; and (iii) claims arising as the result of transfer avoidance pursuant
16 to Chapter 5 of the Bankruptcy Code. Except for claims arising from rejection of
17 executory contracts and leases under Section 10.3 of the Plan, for claims otherwise
18 arising from the rejection of executory contracts or unexpired leases pursuant to 11
19 U.S.C. §365, pursuant to an order of the Bankruptcy Court, the last day to file a proof of
20 claim is: (i) 30 days after the date of entry of the order authorizing the rejection; or (b)
21 June 24, 2004, whichever is later. For claims of Governmental Units, pursuant to an
22 order of the Bankruptcy Court, the last day for filing proofs of claim is: (i) 180 days after
23 the date of the Order for Relief; or (ii) by June 24, 2004, whichever is later. By order of
24 the Bankruptcy Court, the last day to file proofs of claim for claims arising from the
25 avoidance of a transfer under chapter 5 of the Bankruptcy Code is: (i) 30 days after the
26 entry of judgment avoiding the transfer; or (ii) June 24, 2004, whichever is later.

27 **1.11 Business Day** means any day, other than a Saturday, Sunday or
28 "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

1 **1.12 CAL DMH** means the State of California Department of Mental
2 Health.

3 **1.13 CAL DMH Administrative Claim** means any Claim of the CAL DMH
4 for an administrative expense of the kind described in sections 503(b) or 507(a)(1) of the
5 Bankruptcy Code, including without limitation a Claim for payment of an administrative
6 expense arising by reason of a Direct Cost Disallowance or an Indirect Cost
7 Disallowance by the CAL DMH in connection with Mental Health Services from and after
8 the Petition Date through and including the Confirmation Date.

9 **1.14 CAL DMH Receivable** means the amounts owing by CAL DMH to
10 Tri-City for outpatient mental health Medi-Cal services including, without limitation,
11 approximately \$1.8 million owing from Federal Financial Participation for Medi-Cal
12 services provided through September 30, 2006.

13 **1.15 Calendar Quarter** means a three-month period ending on March 31,
14 June 30, September 30 and December 31 of each calendar year.

15 **1.16 Cash** means cash and cash equivalents, including withdrawable
16 bank deposits, wire transfers, checks, and other similar items.

17 **1.17 Carve Out Amount** means either the sum of \$100,000, or such
18 other amount, if any, remaining and available to the Debtor after the resolution of the LAC
19 DMH Deduction Right as further described in Sections 7.3.5 and 9.3 of the Plan.

20 **1.18 Causes of Action** means any and all actions, causes of action,
21 suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to
22 equitable remedies, rights to payment and claims, whether known, unknown, reduced to
23 judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured,
24 unmatured, disputed, undisputed, secured or unsecured and whether asserted or
25 assertable directly or derivatively, in law, equity or otherwise.

26 **1.19 Chapter 9 Case** means the case under chapter 9 of the Bankruptcy
27 Code commenced by the Debtor, styled as *In re Tri-City Mental Health Center*, Bk Case
28 No. LA 04-13167 BR, currently pending in the Bankruptcy Court.

1 **1.20 Claim** means a claim against the Debtor or the property of the
2 Debtor within the meaning of section 101(5) of the Bankruptcy Code.

3 **1.21 Claimant** means the holder of a Claim against the Debtor.

4 **1.22 Class** means one of the classes of Claims established under Article
5 V of the Plan pursuant to section 1122 of the Bankruptcy Code.

6 **1.23 Collateral** means any property or interest in property of Tri-City
7 subject to a Lien to secure the payment or performance of a Claim, which Lien is not
8 subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state
9 law.

10 **1.24 Confirmation** means the entry of an order by the Bankruptcy Court
11 confirming the Plan at or after hearing pursuant to section 943 of the Bankruptcy Code.

12 **1.25 Confirmation Date** means the date on which the Clerk of the
13 Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

14 **1.26 Confirmation Order** means the order of the Bankruptcy Court
15 confirming this Plan under section 943 of the Bankruptcy Code.

16 **1.27 Consummation** means the substantial completion of the
17 Distributions to be made under the Plan as determined by the Bankruptcy Court.

18 **1.28 Creditor** means all Persons with Claims against the Debtor.

19 **1.29 Debt** means liability on a Claim.

20 **1.30 Debtor** means Tri-City Mental Health Center, a Municipal Joint
21 Powers Authority.

22 **1.31 Deduction Right** means the right to withhold, deduct from, take a
23 credit against or otherwise adjust the amount of contractual or statutory payments due to
24 the Debtor for Mental Health Services by reason of: (i) contractual, statutory or common
25 law setoff or recoupment rights; or (ii) any other contractual, statutory or common law
26 right to withhold, deduct from, take a credit against, or otherwise adjust the amount
27 payable to the Debtor.
28

1 **1.32 Direct Cost Disallowance** means (a) the disallowance of costs by
2 the CAL DMH that were submitted directly by the Debtor to the CAL DMH in support of
3 reimbursements paid to the Debtor by the State of California in connection with Mental
4 Health Services; or (b) the disallowance of costs by LAC DMH that were submitted
5 directly by the Debtor to LAC DMH in support of reimbursements paid to the Debtor by
6 LAC DMH (or the County of Los Angeles) in connection with Mental Health Services.

7 **1.33 Disallowed** means a Claim or portion thereof that satisfies any of the
8 following: (i) has been disallowed by a Final Order; (ii) is identified in the List of Creditors
9 in an amount of zero dollars or as contingent, unliquidated, or disputed and as to which
10 no proof of Claim was filed on or before the Bar Date; or (iii) is not identified in the List of
11 Creditors and as to which no proof of Claim has been filed or deemed filed on or before
12 the Bar Date.

13 **1.34 Disbursement Reserve Account** has the meaning set forth in
14 Section 9.1.3 of this Plan.

15 **1.35 Disbursing Agent** means the Debtor or such other agents as may
16 be retained by the Debtor without bond to make or assist the Debtor in making
17 Distributions.

18 **1.36 Disclosure Statement** means the amended disclosure statement,
19 and all exhibits and schedules incorporated therein, that relates to this Plan and that is
20 approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as
21 the same may be amended, modified or supplemented in accordance with the
22 Bankruptcy Code.

23 **1.37 Disputed** means any Claim or portion thereof that has not become
24 Allowed and that is not Disallowed. In the event that any part of a Claim is Disputed,
25 except as otherwise provided in this Plan, such Claim shall be deemed Disputed in its
26 entirety for purposes of distribution under this Plan unless the Debtor agrees otherwise in
27 its sole discretion. Without limiting the foregoing, a Claim that is the subject of a pending
28 application, motion, complaint, objection, or any other legal proceeding seeking to

1 disallow, limit, reduce, subordinate, or estimate such Claim shall be deemed to be
2 Disputed.

3 **1.38 Disputed Claims** has the meaning set forth in Section 9.2 of the
4 Plan.

5 **1.39 Disputed Claims Reserve Account** means a segregated interest
6 bearing account into which the Debtor has deposited from the Net Funds an amount of
7 Cash which, in the exercise of the Debtor's sole discretion, the Debtor believes is the
8 amount that would have been distributed on account of all Disputed General Unsecured
9 Claims in Classes 2, 3 and 4 if all such Disputed Claims were allowed in the full amount
10 claimed by the holders thereof on the Effective Date, except as to those Disputed Claims
11 that are estimated as provided in Section 11.11 and pursuant to section 502(c) of the
12 Bankruptcy Code.

13 **1.40 Distribution(s)** means the Cash to be distributed under this Plan.

14 **1.41 Effective Date** means the fifth (5th) Business Day after the date on
15 which the conditions specified in Section 15.2 of the Plan have been satisfied or waived.

16 **1.42 EPSDT Payment** means any payment that the Debtor receives from
17 or through the State of California for the specific provision of services in connection with
18 the Early and Periodic Screening Diagnosis and Treatment Program (including, without
19 limitation, payments from the State General Funds), excluding any other matching
20 contribution from Tri-City.

21 **1.43 Face Amount** means (a) when used with reference to a Disputed or
22 Disallowed Claim, the full stated amount claimed by the Claimant in a proof of claim
23 timely filed with the Bankruptcy Court or otherwise deemed timely filed by any Final Order
24 of the Bankruptcy Court or other applicable bankruptcy law, and (b) when used in
25 reference to an Allowed Claim, the Allowed amount of the Claim.

26 **1.44 File or Filed or Filing** means properly filed with the Bankruptcy
27 Court in the Chapter 9 Case, as reflected on the official docket of the Bankruptcy Court.

28 **1.45 Final Order**

1 means a judgment, order, ruling, or other decree issued and entered by the Bankruptcy
2 Court which judgment, order, ruling, or other decree has not been reversed, stayed,
3 modified, or amended and as to which:

4 (i) the time to appeal or petition for review, rehearing or certiorari
5 has expired and no appeal or petition for review, rehearing or certiorari is then pending;
6 or

7 (ii) any appeal or petition for review, rehearing or certiorari has
8 been finally decided and no further appeal or petition for review, rehearing or certiorari
9 can be taken or granted.

10 **1.46 Fiscal Year** means the period of time commencing on July 1 of one
11 calendar year and ending on June 30 of the next succeeding calendar year.

12 **1.47 Foothill** means Foothill Independent Bank and its successor Pacific
13 Western Bank.

14 **1.48 General Unsecured Claim** means any Unsecured Claim against the
15 Debtor, including the Unsecured Claims in Classes 2, 3 and 4 under the Plan.

16 **1.49 Governmental Unit** has the meaning provided in section 101(27) of
17 the Bankruptcy Code.

18 **1.50 Impaired** has the meaning provided in section 1124 of the
19 Bankruptcy Code.

20 **1.51 Indirect Cost Disallowance** means the CAL DMH's disallowance of
21 costs submitted directly by the Debtor to LAC DMH in support of reimbursements paid to
22 the Debtor by LAC DMH in connection with Mental Health Services and that were
23 resubmitted by LAC DMH to the CAL DMH.

24 **1.52 LAC DMH** means the County of Los Angeles Department of Mental
25 Health.

26 **1.53 LAC DMH Administrative Claim** means any Claim of LAC DMH for
27 an administrative expense of the kind described in sections 503(b) or 507(a)(1) of the
28 Bankruptcy Code, including without limitation a Claim for payment of an administrative

1 expense arising by reason of a Direct Cost Disallowance in connection with Mental
2 Health Services from and after the Petition Date through and including the Confirmation
3 Date.

4 **1.54 LAC DMH Contract** means a contract (or, collectively, contracts) by,
5 between and among Tri-City, LAC DMH, and CAL DMH pursuant to which Tri-City is to
6 provide outpatient mental health services to Medi-Cal recipients including, but not limited
7 to, Short-Doyle/Medi-Cal recipients, provided that such contract(s) is(are) entered into no
8 later than the Effective Date and effective as of July 1, 2006.

9 **1.55 LAC DMH Deduction Rights** has the meaning set forth in Article
10 VII, Section 7.3.1 of the Plan.

11 **1.56 Lien** has the meaning provided in Section 101(37) of the Bankruptcy
12 Code.

13 **1.57 List of Creditors** means the List of Creditors filed by the Debtor
14 pursuant to section 924 of the Bankruptcy Code on or about February 17, 2004, as it may
15 be amended, modified or supplemented from time to time.

16 **1.58 Medi-Cal Act** means Cal. Welf. & Inst. Code, Division 9 Part 3,
17 §14000 et seq.

18 **1.59 Mental Health Services** means outpatient mental health services
19 rendered or provided by the Debtor or the rendering or provision of which was arranged
20 by the Debtor, including but not limited to mental health services rendered, provided or
21 the rendering or provision of which was arranged by the Debtor (i) pursuant to the
22 Bronzan-McCorquodale Act, Cal. Welf. & Inst. Code. §5600 et seq., (ii) to or for
23 individuals eligible for mental health services pursuant to the Individuals with Disabilities
24 Education Act, 20 U.S.C. §1400 et seq., and compensable pursuant to Bronzan-
25 McCorquodale Act, Cal. Welf. & Inst. Code, Division 5, Part 2, §5600 et seq. and Cal.
26 Govt. Code §7570 et seq.; (iii) to or for individuals who are eligible beneficiaries under the
27 Medi-Cal Act and regulations promulgated thereunder; and (iv) to or for indigent
28 individuals.

1 **1.60 Net Allowed Unsecured LAC DMH Claim Amount** has the
2 meaning set forth in Section 7.3.2 of the Plan.

3 **1.61 Net Cash Available From Operations** means the funds actually
4 received by Tri-City in its business operations as of or during the Repayment Period, less
5 the following: (i) a reserve for disallowances, (ii) payment or the accrual of operating
6 expenses, (iii) payment or the accrual for capital expenditures, (iv) payment or the
7 accrual for secured debt, and (v) the Reserve Fund.

8 **1.62 Net Funds** means (i) the lesser of the Net Realignment Funds or the
9 Net Cash Available From Operations, and (ii) Net Recovery Funds.

10 **1.63 Net Realignment Funds** means that portion of Realignment Funds
11 that remain after payment of operating expenses of Tri-City that are not otherwise
12 reimbursed from other sources.

13 **1.64 Net Recovery Funds** means all funds, if any, recovered and
14 collected by the Debtor from (i) the prosecution and enforcement of the Avoidance
15 Actions, the Rights of Action, and Causes of Action, less the reasonable fees and
16 expenses (including, without limitation, attorneys' fees) in connection with and arising
17 from such actions, and (ii) the Carve Out Amount, less such amounts as the Debtor may
18 be required to use for reasonable and necessary operating expenses incurred during the
19 first two full Calendar Quarters after the Effective Date.

20 **1.65 Notice of Effective Date** means the Notice prepared and mailed
21 pursuant to Section 16.7.

22 **1.66 Order for Relief** means the commencement of this Chapter 9 Case
23 under the Bankruptcy Code by the Debtor's filing of a voluntary petition under such
24 chapter, which an order for relief was automatically entered pursuant to section 301 of
25 the Bankruptcy Code, as confirmed by order of the Bankruptcy Court entered on
26 February 17, 2004.

27 **1.67 Ordinary Course Administrative Claim** means an Administrative
28 Claim, other than a Professional Claim, that represents an obligation incurred in the

1 ordinary course of business of the Debtor (as determined by the Debtor in its sole
2 discretion), but does not include a Claim arising by reason of a Direct Cost Disallowance
3 or an Indirect Cost Disallowance in connection with Mental Health Services from and
4 after the Petition Date through and including the Confirmation Date.

5 **1.68 Other Secured Claim** means any Secured Claim against Tri-City,
6 other than the Allowed Secured Claims of CAL DMH and LAC DMH.

7 **1.69 Person** means and includes an individual, corporation, partnership,
8 joint venture, association, joint stock company, limited liability company, limited liability
9 partnership, trust, estate, unincorporated organization or other entity, and a
10 Governmental Unit.

11 **1.70 Petition Date** means February 13, 2004, the date on which an order
12 for relief was automatically entered pursuant to section 301 of the Bankruptcy Code and
13 confirmed by order of the Bankruptcy Court entered on February 17, 2004.

14 **1.71 Post-Effective Date Limited Notice List** means the notice list
15 described in and created pursuant to Article 16.5 of this Plan.

16 **1.72 Plan** means this Amended Plan of Adjustment of Debts, together
17 with all Exhibits hereto, each in their present form or as they may be altered, amended or
18 modified from time to time in accordance with the provisions of this Plan, the
19 Confirmation Order, the Bankruptcy Code, and the Bankruptcy Rules.

20 **1.73 Plan Documents** means all agreements, instruments and
21 documents required or contemplated by the Plan including agreements, instruments and
22 documents to be executed, entered into, delivered or recorded pursuant to the Plan.

23 **1.74 Plan Solicitation Order** means the Order Approving (i) Adequacy Of
24 Information In Disclosure Statement With Respect To Tri-City Mental Health Center's
25 Plan Of Adjustment; (ii) Form, Scope And Nature Of Solicitation, Balloting, Tabulation
26 And Notices With Respect Thereto; And (iii) Related Confirmation Procedures, Deadlines
27 And Notices, by which the Bankruptcy Court approved the Disclosure Statement as
28 containing adequate information for the purpose of dissemination and solicitation of votes

1 on and confirmation of this Plan and established certain rules, deadlines, and procedures
2 for the solicitation of votes with respect to and the balloting on this Plan.

3 **1.75 Professional Claim** means a Claim for approval of amounts paid or
4 to be paid for professional services and expenses in the Chapter 9 Case or incident to
5 this Plan and afforded treatment under section 507(a)(1) of the Bankruptcy Code.

6 **1.76 Pro Rata** means, at any time the proportion that the Face Amount of
7 a Claim in a particular Class bears to the aggregate Face Amount of all Claims (including
8 Disputed Claims, but excluding Disallowed Claims) in such Class, unless the Plan
9 provides otherwise.

10 **1.77 Realignment Funds** means funds paid to the Debtor pursuant to
11 Cal. Welf. & Inst. Code §§5615, 5701.5, 17600,17601 and 17606.05 by the California
12 state controllers office from vehicle license fees and state sales taxes.

13 **1.78 Reinstated or Reinstatement** means (a) leaving unaltered the legal,
14 equitable and contractual rights to which a Claim is entitled, so as to leave such Claim
15 unimpaired in accordance with section 1124 of the Bankruptcy Code, or (b)
16 notwithstanding any contractual provision or applicable law that entitles the holder of
17 such claim to demand or receive accelerated payment of such Claim after the occurrence
18 of a default (i) curing any such default that occurred before or after the Petition Date,
19 other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (ii)
20 reinstating the maturity of such Claim as such maturity existed before such default; (iii)
21 compensating the holder of such claim for any damages incurred as a result of any
22 reasonable reliance by such holder of such claim on such contractual provision or such
23 applicable law; and (iv) not otherwise altering the legal, equitable or contractual rights to
24 which the holder of such Claim is entitled; provided, however, that any contractual right
25 that does not pertain to the payment when due of principal and interest on the obligation
26 on which such Claim is based, including, but not limited to, circumstances that may give
27 rise to an alleged non-monetary default, shall not be required to be cured or Reinstated in
28 order to accomplish Reinstatement.

1 **1.79 Repayment Period** means the later of the Effective Date or the
2 termination date of the LAC DMH Contract, as such contract may be extended or
3 renewed.

4 **1.80 Reserve Fund** means the amount of either \$1.5 million or, upon the
5 timely execution of the LAC DMH Contract, \$2.0 million that shall be held at all times in
6 reserve for use in Tri-City's business operations. The Reserve Fund shall not be
7 included in Net Funds nor otherwise available for Distributions under this Plan.

8 **1.81 Rights of Action** means all claims, causes of action, and defenses
9 of the Debtor, including, but not limited to: counterclaims; rights of offset or recoupment;
10 objections to Claims; objections to the validity, priority, amount, allowance, or
11 classification of any Claim; rights to seek equitable or contractual subordination of
12 Claims; and avoidance and recovery of prepetition or postpetition transfers (including but
13 not limited to the Avoidance Actions), which claims, causes of action, and defenses are
14 against, arise out of, or are related to any of the following (except for such claims, causes
15 of action, and defenses that have been settled and released pursuant to this Plan or an
16 order of the Bankruptcy Court):

17 a. All claims, causes of action and defenses against the current
18 and/or past officers and/or directors of the Debtor, control persons of the Debtor, the
19 Debtor's predecessors in interest, and the agents, attorneys, accountants, investment
20 bankers, underwriters, and other professionals employed by any of the current and/or
21 past officers and/or directors of the Debtor, or the Debtor's predecessors in interest,
22 including, but not limited to, claims, causes of action and defenses arising out of or
23 related to breach of duty, negligence, mismanagement and/or excessive compensation;

24 b. All claims, causes of action and defenses against any Person
25 who is or was a past or present officer, director, executive, control person, or
26 predecessors in interest of the Debtor, and the agents, attorneys, accountants,
27 investment bankers, underwriters, and other professionals employed by any Person who
28

1 is or was a past or present officer, director, executive, control person, or predecessors in
2 interest of the Debtor;

3 c. All claims, causes of action and defenses against any Person,
4 including, without limitation, preference causes of action under 11 U.S.C. § 547, who
5 received a payment from the Debtor in the 90 days before the Petition Date or, in the
6 case of an Insider (as defined in the Bankruptcy Code), in the one (1) year before the
7 Petition Date;

8 d. All claims, causes of action, and defenses arising out of or
9 related to lawsuits and proceedings pending as of the Petition Date, and any lawsuit or
10 proceeding commenced by or against the Debtor after the Petition Date;

11 e. All claims, causes of action, and defenses arising under or
12 related to that certain "Tri-City Mental Health Authority 2003 Revenue Anticipation
13 Agreement" dated on or about March 1, 2003, and the "\$800,000 Real Property
14 Lease/Leaseback Agreement" dated on or about March 1, 2003, between the Debtor and
15 Zions First National Bank, a national banking association;

16 f. All rights, claims, causes of action and defenses arising under
17 or related to Claims that have been purchased during this Chapter 11 Case and/or are
18 asserted by a Person other than the original claimant, including, but not limited to,
19 defenses to the amount of such claims based on failure to provide adequate information
20 to the transferors;

21 g. All claims, causes of action and defenses arising out of or
22 related to any theft claims, fire loss claims and damage claims at any time arising against
23 any Person;

24 h. All claims, causes of action and defenses arising out of or
25 related to amounts due the Debtor, by any Person, for deposit refund claims,
26 chargebacks, rebates, premium adjustments, refunds and accounts receivable claims;

27 i. All defenses, counterclaims, third party claims, offset claims,
28 rights of recoupment, causes of action for equitable or contractual subordination,

1 indemnity claims and coverage claims arising out of or related to any Claim against the
2 Debtor, whether based on the Bankruptcy Code or any applicable law;

3 j. All claims related to taxes, and rights to file tax returns and
4 amended returns and to seek tax determinations, including, without limitation, tax loss
5 carryback claims, net operating loss claims, determinations of basis or depreciation,
6 overpayment claims, offset and counterclaims;

7 k. All claims, causes of action and defenses against or with
8 respect to financial institutions and any other Person for the turnover of funds of, or due
9 to, the Debtor;

10 l. All rights, causes of action, defenses, claims, powers,
11 privileges and licenses of the Debtor;

12 m. All causes of action, claims and defenses arising under the
13 Plan and the Bankruptcy Code;

14 n. All rights, claims, causes of action and defenses for coverage
15 in or under any and all insurance policies of the Debtor; and

16 o. All rights, claims, or Causes of Action owned by, accruing to,
17 or assigned to the Debtor pursuant to the Bankruptcy Code or pursuant to any contract,
18 statute, or legal theory, including without limitation Avoidance Claims.

19 **1.82 Secured Claim** means a Claim that is alleged to be secured, in
20 whole or in part, (a) by a Lien that is not subject to avoidance or subordination under the
21 Bankruptcy Code or applicable non-bankruptcy law; or (b) as a result of a valid right of
22 setoff under section 553 of the Bankruptcy Code, including a valid Deduction Right, but in
23 any event only to the extent of the value, determined in accordance with section 506(a) of
24 the Bankruptcy Code, of the holder's interest in the Debtor's interest in property or to the
25 extent of the amount subject to such valid setoff, as the case may be.

26 **1.83 Settlement Agreement** means that certain settlement agreement
27 entered into by, between and among Tri-City, Zions Bank, the City of Pomona, M.R.
28 Grant, and other parties to that certain adversary proceeding (Adversary Number AD 04-

1 02629 BR) and approved by the Bankruptcy Court pursuant to its order entered on
2 August 31, 2005. A copy of the Settlement Agreement and order approving same are
3 collectively attached hereto as **Exhibit 3**, and incorporated herein.

4 **1.84 State General Funds** means funds appropriated pursuant to the
5 California Welfare & Institutions Code from the State of California general funds in order
6 to match federal Medicare or Medi-Cal payments under the Early and Periodic Screening
7 Diagnosis and Treatment Program.

8 **1.85 Tri-City** means Tri-City Mental Health Center, a Municipal Joint
9 Powers Authority, and the Chapter 9 debtor in the Chapter 9 Case.

10 **1.86 Unclaimed Distribution** means any Distributions that are unclaimed
11 2 years following the date of the making of the Distribution. Unclaimed Distributions shall
12 include (a) checks (and the funds represented thereby) which have been returned as
13 undeliverable without a proper forwarding address, (b) funds for checks which have not
14 been paid, (c) checks (and the funds represented thereby) which were not mailed or
15 delivered because of the absence of a proper address with which to mail or deliver such
16 property, and (d) interest on cash from unclaimed Distributions.

17 **1.87 Unenforceable Deduction Rights** has the meaning set forth in
18 Section 9.7.3 of this Plan.

19 **1.88 Unsecured Claim** means any Claim that is not a Secured Claim or
20 an Administrative Claim.

21 **1.89 Zions Bank** means Zions First National Bank, NA.

22 **ARTICLE 2**

23 **RULES OF CONSTRUCTION**

24 The following rules of construction apply to this Plan:

25 **2.1 Where not inconsistent or in conflict with the provisions of the**
26 **Plan, the words and phrases used in the Plan shall have the meanings provided in**
27 **the Bankruptcy Code or the Bankruptcy Rules.**

28

1 **4.2 CAL DMH Administrative Claims.**

2 4.2.1 Subject to Sections 4.2.2 and 4.2.3, below, all Allowed CAL
3 DMH Administrative Claims shall be paid from Net Funds in full satisfaction, release and
4 discharge of such Claims Cash in an amount equal to such Allowed CAL DMH
5 Administrative Claims on the later of the Effective Date or the date on which such Claim
6 becomes an Allowed Administrative Claim, unless the CAL DMH agrees to a different
7 treatment.

8 4.2.2 Notwithstanding Section 4.2.1, above and subject to Section
9 4.2.3 below,

10 4.2.2.1 to the extent that the Allowed CAL DMH
11 Administrative Claim is based on or arises from Direct Cost Disallowances or Indirect
12 Cost Disallowances (including, without limitation, excess Federal Financial Participation
13 paid to Tri-City per CAL DMH Form 1931 – Cost Report/Claims Paid Comparison), then
14 payment of that portion of the Allowed CAL DMH Administrative Claim attributed to Direct
15 Cost Disallowances and Indirect Cost Disallowances shall be made by offset of the CAL
16 DMH Receivable (unless expressly agreed otherwise by Tri-City and CAL DMH) or
17 current and/or future Short-Doyle/Medi-Cal claims until the full amount due is collected
18 (unless the offsets are likely to exceed the amount of three months worth of claims), and
19 otherwise in accordance and consistent with CAL DMH's review, audit practices
20 (including, without limitation, desk audits) and schedules with other providers similar to
21 Tri-City and subject to Tri-City's rights to pursue its remedies in the event of any
22 disagreement (including, without limitation, the right to file a notice of disagreement and
23 right to appeal), and

24 4.2.2.2 should the Debtor have insufficient funds to pay
25 the CAL DMH an amount equal to the remaining amount, if any, of its Allowed CAL DMH
26 Administrative Claims (net of Direct Cost Disallowances and Indirect Cost Disallowances)
27 on the later of the Effective Date or the date on which such Claim becomes an Allowed
28 Administrative Claim, then payment shall be made to the CAL DMH on account of such

1 remaining balance of its Allowed CAL DMH Administrative Claims on the third Business
2 Day following each Calendar Quarter thereafter until the CAL DMH shall have been paid
3 Cash in an amount equal to such remaining portion of its Allowed CAL DMH
4 Administrative Claims.

5 4.2.3 Notwithstanding anything to the contrary contained in
6 Sections 4.2.1 and 4.2.2 above, no payment shall be made to the CAL DMH on account
7 of Allowed CAL DMH Administrative Claims until the following shall have occurred: (i) the
8 CAL DMH shall have timely filed with the Bankruptcy Court a request for payment of an
9 Administrative Claim in accordance with Section 4.5 below, and either (ii) the entry of a
10 Final Order by the Bankruptcy Court determining the amount, if any, in which the CAL
11 DMH's Administrative Claims shall be Allowed with respect to such request for payment
12 of an Administrative Claim; or (iii) entry of a Final Order by the Bankruptcy Court
13 approving a stipulation by and between the Debtor and the CAL DMH fixing the Allowed
14 amount of the CAL DMH's Administrative Claim.

15 4.2.4 The Debtor estimates that the Allowed CAL DMH
16 Administrative Claim is \$0.00.

17 **4.3 LAC DMH Administrative Claims.**

18 4.3.1 Subject to Sections 4.3.2 and 4.3.3 below, all Allowed LAC
19 DMH Administrative Claims shall be paid from Net Funds in full satisfaction, release and
20 discharge of such Claims Cash in an amount equal to such Allowed LAC DMH
21 Administrative Claims on the later of the Effective Date or the date on which such Claim
22 becomes an Allowed LAC DMH Administrative Claim, unless the LAC DMH agrees to a
23 different treatment.

24 4.3.2 Notwithstanding Section 4.3.1, above and subject to Section
25 4.3.3, below

26 4.3.2.1 to the extent that the Allowed LAC DMH
27 Administrative Claim is based on or arises from Direct Cost Disallowances, then payment
28 of that portion of the Allowed LAC DMH Administrative Claim attributed to Direct Cost

1 Disallowances shall be made in accordance and consistent with LAC DMH's review, audit
2 practices, and schedules with other providers similar to Tri-City and subject to Tri-City's
3 rights to pursue its remedies in the event of any disagreement (including, without
4 limitation, the right to file a notice of disagreement and right to appeal), and

5 4.3.2.2 should the Debtor have insufficient funds to pay
6 the LAC DMH an amount equal to the remaining amount, if any, of its Allowed LAC DMH
7 Administrative Claims (net of Direct Cost Disallowances) on the later of the Effective Date
8 or the date on which such Claim becomes an Allowed Administrative Claim, then
9 payment shall be made to the LAC DMH on account of such remaining balance of its
10 Allowed LAC DMH Administrative Claims on the third Business Day following each
11 Calendar Quarter thereafter until the LAC DMH shall have been paid Cash in an amount
12 equal to such remaining portion of its Allowed LAC DMH Administrative Claims.

13 4.3.3 Notwithstanding anything to the contrary contained in
14 Sections 4.3.1 and 4.3.2, above, no payment shall be made to LAC DMH on account of
15 Allowed LAC DMH Administrative Claims until the following shall have occurred: (i) the
16 LAC DMH shall have timely filed with the Bankruptcy Court a request for payment of an
17 Administrative Claim in accordance with Section 4.5 below, and either (ii) the entry of a
18 Final Order by the Bankruptcy Court determining the amount, if any, in which the LAC
19 DMH's Administrative Claims shall be Allowed with respect to such request for payment
20 of an Administrative Claim; or (iii) entry of a Final Order by the Bankruptcy Court
21 approving a stipulation by and between the Debtor and the LAC DMH fixing the Allowed
22 amount of the LAC DMH's Administrative Claim.

23 4.3.4 The Debtor estimates that the Allowed LAC DMH
24 Administrative Claim is \$0.00.

25 **4.4 Treatment Of Professional Claims.** Pursuant to section 943(b)(3)
26 of the Bankruptcy Code, all amounts paid or to be paid for services or expenses in the
27 Chapter 9 Case or incident to this Plan must be approved by the Bankruptcy Court as
28 reasonable. The Debtor or its agent shall pay from Net Funds to each holder of a

1 Professional Claim, in full satisfaction, release and discharge of such Claim, Cash in an
2 amount equal to that portion of such Claim that the Bankruptcy Court approves as
3 reasonable (except to the extent such Claim previously has been paid or satisfied) on or
4 as soon as reasonably practicable following the date on which the Bankruptcy Court
5 order determining such reasonableness becomes a Final Order.

6 **4.5 Deadline For The Filing And Assertion Of Administrative Claims**

7 (Other Than Ordinary Course Administrative Claims And Professional Claims). All
8 requests for payment or any other means of preserving and obtaining payment of
9 Administrative Claims (other than Ordinary Course Administrative Claims and requests
10 for approval of Professional Claims) that have not been paid, released, or otherwise
11 settled, must be filed with the Bankruptcy Court and served upon the Debtor and the
12 United States Trustee no later than thirty (30) days after the date on which the Notice of
13 Effective Date is mailed. Any request for payment of an Administrative Claim (other than
14 an Ordinary Course Administrative Claim and a request for approval of Professional
15 Claim) that is not timely filed by such date will be forever barred, and holders of such
16 Claims shall be barred from asserting such Claims in any manner against the Debtor or
17 receiving any Distributions under this Plan.

18 **ARTICLE 5**
19 **DESIGNATION OF CLASSES OF CLAIMS**

20 Pursuant to section 1122 of the Bankruptcy Code, set forth below is a
21 designation of Classes of Claims against the Debtor. A Claim is placed in a particular
22 Class for the purposes of voting on the Plan and receiving distributions pursuant to the
23 Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim
24 has not been paid, satisfied or otherwise settled prior to the Effective Date. In
25 accordance with Sections 901 and 1123(a)(1) of the Bankruptcy Code, Administrative
26 Claims and Professional Claims have not been classified and their treatment is set forth
27 in Article IV above. All Claims other than Administrative Claims and Professional Claims
28

1 6.1.2 Pursuant to sections 901(a) and 1126(f) of the Code, Foothill
2 is conclusively presumed to have accepted the Plan, and solicitation of an acceptance
3 with respect to Foothill is not required.

4
5 **6.2 Class 5. Other Allowed Secured Creditors.** Class 5 is unimpaired
6 under the Plan. Except to the extent that a holder of an Allowed Other Secured Claim
7 agrees to a different treatment, at the sole option of Tri-City: (i) each Allowed Other
8 Secured Claim shall be Reinstated and rendered unimpaired in accordance with section
9 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable
10 nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand
11 or receive payment of such Allowed Other Secured Claim prior to the stated maturity of
12 such Allowed Other Secured Claim from and after the occurrence of a default; (ii) each
13 holder of an Allowed Other Secured Claim shall receive the Collateral securing its
14 Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim
15 required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and
16 complete satisfaction of such Allowed Other Secured Claim or (iii) Tri-City shall provide
17 such other treatment in respect of such Claim as will cause such Claim not to be impaired
18 by the Plan. Tri-City's failure to object to any such Claim during the pendency of the
19 Chapter 9 Case shall not prejudice, diminish, affect or impair Tri-City's right to contest or
20 defend against such Claim in any lawful manner or forum when and if such Claim is
21 sought to be enforced by the holder thereof. Each Other Secured Claim and all Liens
22 lawfully granted or existing on any property of Tri-City on the Petition Date as security for
23 an Other Secured Claim shall (x) survive the confirmation and consummation of this Plan,
24 Tri-City's discharge under section 944 of the Bankruptcy Code and Section 12.1 of this
25 Plan, (y) remain enforceable against Tri-City in accordance with the contractual terms of
26 any lawful agreements enforceable by the holder of such Claim on the Petition Date until
27 the Allowed amount of such Claim is paid in full, and (z) remain subject to avoidance by
28 Tri-City under the Bankruptcy Code.

1 6.2.2 Preservation of Rights. Notwithstanding the foregoing
2 provisions of this Section 6.2, on or as soon as reasonably practicable after the later of
3 the Effective Date and the date that is thirty (30) calendar days after an Other Secured
4 Claim becomes Allowed, Tri-City may elect to provide the holder of an Other Secured
5 Claim with (i) Cash in an amount equal to 100% of the unpaid amount of such Claim, (ii)
6 the proceeds of the sale or disposition of the Collateral securing such Claim to the extent
7 of the value of the holder's secured interest in such Claim, (iii) the Collateral securing
8 such Claim, (iv) a note with periodic Cash payments having a value, as of the Effective
9 Date, equal to the Allowed amount of such Claim, or (v) such other distribution as
10 necessary to satisfy the requirements of the Bankruptcy Code. In the event Tri-City
11 treats a Claim under clause (i) or (ii) of this Section 6.2.2, the Liens securing such Claim
12 shall be deemed, and shall be, released on the later of the Effective Date and the date
13 such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as
14 soon thereafter as is practicable.

15 6.2.3 Separate Subclasses. Unless otherwise ordered by the
16 Bankruptcy Court, each Allowed Other Secured Claim in Class 5 shall be considered to
17 be a separate subclass within Class 5, and each such subclass shall be deemed to be a
18 separate Class for purposes of this Plan.

19 6.2.4 Pursuant to sections 901(a) and 1126(f) of the Code, each
20 Creditor holding an Allowed Other Secured Claim is conclusively presumed to have
21 accepted the Plan, and solicitation of an acceptance with respect to each such Creditor is
22 not required.

23 **ARTICLE 7**

24 **TREATMENT OF CLASSES IMPAIRED UNDER THE PLAN**

25 Classes 2, 3, 4 and 6 are Impaired under the Plan and shall be treated in
26 accordance with the terms stated below. The Debtor will solicit acceptances of the Plan
27 from each Impaired Class. The Impaired Classes will be treated as follows:
28

1 **7.1 Class 2. General Unsecured Claims, other than Unsecured**

2 **Claims of the CAL DMH and LAC DMH.** Subject to Section 7.1.2, the holders of
3 Allowed General Unsecured Claims in Class 2 shall receive on account of such Allowed
4 General Unsecured Claims and in full satisfaction, release and discharge thereof, a Pro
5 Rata share of any Cash Distribution from Net Funds (after payment of Administrative
6 Claims, CAL DMH Administrative Claims, LAC DMH Administrative Claims, and
7 Professional Claims as provided in Article IV) to holders of Allowed Claims in Classes 2,
8 3 and 4 and, thereafter, a Pro Rata share of all subsequent Cash Distributions, if any, to
9 holders of Class 2, 3 and 4 Claims until such time as there are no further available Net
10 Funds as of the end of the Repayment Period or such Claims have been paid in full.
11 Subject to the availability of Net Funds, Distributions to holders of Allowed General
12 Unsecured Claims in Class 2 shall commence on the first Business Day after the first full
13 Calendar Quarter following the Effective Date. If there are insufficient Net Funds to pay
14 such Claimants the amount of their respective Allowed General Unsecured Claims on
15 such date and subject to the term of the Repayment Period, subsequent Distributions
16 shall be made on the first Business Day following each Calendar Quarter thereafter, until
17 either such Claimants shall have been paid the amount of their respective Allowed
18 General Unsecured Claims, or the Net Funds have been exhausted, whichever first
19 occurs.

20 7.1.2 Subject to the (i) consent of each LAC DMH and CAL DMH as
21 reflected in their respective Ballot and (ii) LAC DMH Contract is timely executed,
22 Distributions to holders of Allowed General Unsecured Claims in Class 2 shall be
23 effectuated first, and Distributions to LAC DMH and CAL DMH shall be deferred, until
24 such time as either the Net Funds are exhausted or such Class 2 Allowed General
25 Unsecured Claims have been paid in full.

26 7.1.3 The Debtor believes that there will be Net Funds available for
27 Class 2 Claimants and estimates that Class 2 Claimants will receive approximately
28 twenty percent (20%) on their Allowed Claims, or if the provisions of Section 7.1.2 above

1 become effective, then Class 2 Claimants will receive approximately between 45% and
2 100% of their Allowed Claims.

3 **7.2 Class 3. Unsecured Claims of the CAL DMH.** Unless otherwise
4 agreed to by CAL DMH as described in Section 7.2.2 below or otherwise, CAL DMH
5 shall receive on account of its Allowed General Unsecured Claim and in full satisfaction,
6 release and discharge thereof, a setoff of any remaining balance of the CAL DMH
7 Receivable (after application of such receivable against CAL DMH's Allowed
8 Administrative Claim) and thereafter a Pro Rata share of any Cash Distribution from Net
9 Funds (after payment of Administrative Claims, CAL DMH Administrative Claims, LAC
10 DMH Administrative Claims, and Professional Claims as provided in Article IV) to holders
11 of Allowed Claims in Classes 2, 3 and 4 and, thereafter, a Pro Rata share of all
12 subsequent Cash Distributions, if any, to holders of Class 2, 3 and 4 Claims until such
13 time as there are no further available Net Funds as of the end of the Repayment Period
14 or such Claims have been paid in full. Subject to the availability of Net Funds,
15 Distributions to CAL DMH shall commence on the first Business Day after the first full
16 Calendar Quarter following the Effective Date. If there are insufficient Net Funds to pay
17 CAL DMH the amount of its Allowed General Unsecured Claim on such date, subsequent
18 Distributions shall be made on the first Business Day following each Calendar Quarter
19 thereafter, until either CAL DMH shall have been paid the amount of its Allowed General
20 Unsecured Claim, or the Net Funds have been exhausted (at the end of the Repayment
21 Period), whichever first occurs.

22 **7.2.2** Subject to CAL DMH's consent, as reflected in its Ballot, and
23 subject to the timely execution of the LAC DMH Contract, Distributions to CAL DMH as
24 described in Section 7.2.1 above shall be deferred until holders of Allowed General
25 Unsecured Claims in Class 2 shall be either paid in full or the Net Funds have been
26 exhausted.

27 **7.2.3** The Debtor believes that there will be Net Funds available for
28 CAL DMH and estimates that CAL DMH will receive approximately twenty percent (20%)

1 on its Allowed Claim or, if the LAC DMH Contract is timely executed, then CAL DMH shall
2 receive approximately between 45% and 100%.

3 **7.3 Class 4. Secured and Unsecured Claims of LAC DMH.** LAC
4 DMH has asserted certain Deduction Rights against Tri-City. Specifically, LAC DMH
5 asserts that is holding no less than \$1,743,212.62 in funds due Tri-City ("Tri-City Funds")
6 and that it is entitled to exercise a right of setoff and/or recoupment with respect to such
7 amount. Tri-City asserts that, in addition to the above amount, LAC DMH may eventually
8 owe Tri-City approximately \$1.1 million for services provided by Tri-City in connection
9 with the AB 3632 project (also known as the SB 90 project) ("AB 3632 Receivable"),
10 which receivable is subject to the State of California funding additional monies for
11 payment for services provided under such program. The County has advised Tri-City
12 that funds have yet to be received by the County from the State of California in
13 connection with the AB 3632 Receivable. Class 4 contains two (2) subclasses, the first
14 being LAC DMH's asserted Secured Claim that is subject to LAC DMH's asserted
15 Deduction Rights, and the second representing the balance of LAC DMH's Allowed
16 Claims. LAC DMH's Allowed Secured Claim and Allowed Unsecured Claim shall be fully
17 satisfied, released and discharged as follows:

18 **7.3.1** Subject to LAC DMH's acceptance of the Plan, the Allowed
19 Secured Claim of LAC DMH shall be treated as follows:

20 **7.3.1.1** LAC DMH and Tri-City agree that LAC DMH
21 may exercise its Deduction Rights such that the amount of the Tri-City's Funds (less
22 \$100,000) shall be setoff against the Allowed Claims of the LAC DMH upon the Effective
23 Date, (ii) LAC DMH shall tender to Tri-City, no later than the Effective Date, the amount of
24 \$100,000 from the Tri-City's Funds, which amount Tri-City may use for any purposes as
25 described under the Plan, and (iii) LAC DMH shall tender to Tri-City the funds due Tri-
26 City in connection with the AB 3632 Receivable immediately after the County receives
27 such funds from the State of California.
28

1 7.3.3 Subject to LAC DMH's consent, as reflected in its Ballot, and
2 subject to the timely execution of the LAC DMH Contract, Distributions to LAC DMH as
3 described in Section 7.3.2 above shall be deferred until holders of Allowed General
4 Unsecured Claims in Class 2 shall be either paid in full or the Net Funds have been
5 exhausted.

6 7.3.4 Tri-City believes that there will be Net Funds available for LAC
7 DMH and estimates that LAC DMH will receive approximately twenty percent (20%) on its
8 Allowed Unsecured Claim or, if the LAC DMH Contract is timely executed, then LAC
9 DMH shall receive approximately between 45% and 100%.

10 7.3.5 Subject to Section 7.3.1, LAC DMH shall not be entitled to the
11 Deduction Rights, as may be determined and fixed by the Bankruptcy Court in
12 accordance with Section 9.3 of this Plan, until the later of the following shall have
13 occurred (i) the last date for Filing a proof of claim as provided in Section 9.8 shall have
14 first passed without LAC DMH Filing a proof of claim with the Bankruptcy Court; (ii) entry
15 of a Final Order by the Bankruptcy Court determining the amount, if any, in which LAC
16 DMH's Claims shall be Allowed, with respect to a proof of claim Filed by the LAC DMH
17 with the Bankruptcy Court prior to the deadline for the Filing a proof of claim set forth in
18 Section 9.8, below; or (iii) entry of a Final Order by the Bankruptcy Court approving a
19 stipulation by and between Tri-City and the LAC DMH fixing the Allowed amount of LAC
20 DMH's Claims.

21 **7.4 Class 6. Allowed Unsecured Claims of Zions Bank and City of**
22 **Pomona.** The Allowed Unsecured Claims of each of Zions Bank and the City of Pomona
23 will be treated in accordance with the Settlement Agreement approved by the Bankruptcy
24 Court pursuant to its order entered on August 31, 2005. A copy of the Settlement
25 Agreement is attached hereto as **Exhibit 3** and incorporated herein as though fully set
26 forth. Pursuant to the Settlement Agreement, Zions Bank and the City of Pomona have
27 agreed to receive the proceeds of the settlement as described in the Settlement
28

1 Agreement and waive any further rights to receive Distributions under this Plan.
2 Accordingly, no Distributions will be made to Zions Bank or the City of Pomona.

3 **ARTICLE 8**

4 **ACCEPTANCE OR REJECTION; CRAMDOWN**

5 **8.1 Voting Of Claims.** Each holder of a Claim classified into Classes 2,
6 3, and 4 shall be entitled to vote each such Claim separately to accept or reject this Plan.

7 **8.2 Nonconsensual Confirmation.** The Debtor believes that the
8 applicable requirements for confirmation of this Plan as set forth in sections 901, 943,
9 1129(a)(2), 1129(a)(3), 1129(a)(6), and 1129(a)(10) are satisfied. Accordingly, the Debtor
10 will and hereby does request that the Bankruptcy Court confirm this Plan in accordance
11 with those portions of section 1129(b) of the Bankruptcy Code that are applicable to the
12 Chapter 9 Case and, in the event that an Impaired Class of Claims rejects this Plan, on
13 the basis that this Plan is fair and equitable and does not discriminate unfairly with
14 respect to any non-accepting Impaired Class.

15 **ARTICLE 9**

16 **IMPLEMENTATION AND MEANS FOR CONSUMMATION OF THIS PLAN**

17 **9.1 Funding the Plan.**

18 **9.1.1 Payments to Holders of Allowed Administrative and**
19 **Professional Claims.** Except with respect to Allowed CAL DMH Administrative Claims,
20 the Allowed LAC DMH Administrative Claims and Ordinary Course Administrative Claims,
21 to the extent Allowed Administrative Claims are not paid on or before the Effective Date,
22 payments to holders of Allowed Administrative Claims and holders of Professional Claims
23 shall made in Cash and funded from Net Funds available to the Debtor on and after the
24 Effective Date.

25 **9.1.2 Funding Payment of CAL DMH and LAC DMH Allowed**
26 **Administrative Claims.** The Allowed CAL DMH Administrative Claims and the Allowed
27 LAC DMH Administrative Claims will be paid in accordance with Section 4.2 and 4.3,
28 respectively, of this Plan. Payments to LAC DMH and CAL DMH on their respective

1 Allowed Administrative Claims shall be made in Cash and funded from Net Funds
2 available to the Debtor on and after the Effective Date.

3 **9.1.3 Funding of Distributions to Holders of Allowed General**
4 **Unsecured Claims in Classes 2, 3 and 4.** No later than the first Business Day following
5 the first full Calendar Quarter after the Effective Date, the Debtor will deposit into a
6 segregated account ("Disbursement Reserve Account") all Net Funds on hand except for
7 Net Funds required to fund the Disputed Claims Reserve Account. If the Net Funds
8 deposited into the Disbursement Reserve Account as specified above are insufficient to
9 provide holders of Allowed Claims in Classes 2, 3 and 4 the full treatment required under
10 Article VII, then on or before the first Business Day following the end of each successive
11 Calendar Quarter, the Debtor will deposit into the Disbursement Reserve Account all Net
12 Funds on hand except for Net Funds required to fund the Disputed Claims Reserve
13 Account, until holders of Allowed Claims in Classes 2, 3 and 4 have received the full
14 treatment provided in Article VII. All Distributions required to be made to holders of such
15 Allowed General Unsecured Claims in Classes 2, 3 and 4 from Net Funds pursuant to
16 Article VII will be made and the Disputed Claims Reserve Account will be established and
17 funded by the Debtor with Net Funds in accordance with Sections 9.2 and 11.7.

18 **9.2 Establishment and Funding of Disputed Claims Reserve.** No
19 later than the first Business Day following the first full Calendar Quarter after the Effective
20 Date, the Debtor shall establish the Disputed Claims Reserve Account for holders of
21 Disputed Claims in Classes 2, 3, 4, and 5 ("Disputed Claims"). Subject to Section 11.7,
22 below, the Debtor will deposit into such reserve account on each date a Distribution is
23 made to holders of Allowed Claims in Classes 2, 3, 4, and 5 an amount equal to the Pro
24 Rata Share of the Distributions that would have been distributed to holders of Disputed
25 Claims, had such Claims been Allowed on the date of each such Distribution in the Face
26 Amount. At such time as all Disputed Claims have been finally determined and paid all
27 Distributions to which the holders thereof are entitled to receive hereunder upon
28 Allowance of their respective Claims in Classes 2, 3, 4, and 5, the balance of Cash held

1 in the Disputed Claims Reserve Account shall be distributed to the holders of Allowed
2 General Unsecured Claims in Class 2, 3 and 4 on a Pro Rata basis.

3 **9.3 Dispute Over Amount of Deduction Right.** Unless the provisions
4 of Section 7.3.1 are applicable, Tri-City disputes the amount and legality of the Deduction
5 Rights of LAC DMH and others. LAC DMH has asserted it is entitled to withhold certain
6 pre and post petition payments due to the Debtor in the asserted amount of
7 approximately \$2.6 Million and to reduce such withheld payments by amounts LAC DMH
8 asserts are due to it from the Debtor. Other Creditors have also asserted Deduction
9 Rights, the amounts of which at this time are unknown to Tri-City. The precise amount of
10 the LAC DMH's and other Creditors' Deduction Rights will be determined either by
11 subsequent agreement between such Creditors and the Debtor or pursuant to an order
12 entered by the Bankruptcy Court in connection with a contested matter or adversary
13 proceeding initiated by the Debtor. To the extent that the Deduction Right of LAC DMH is
14 determined and fixed in an amount less than the approximate \$2.6 million asserted by
15 LAC DMH, LAC DMH shall immediately pay such difference to the Debtor, which
16 amounts may be used by the Debtor, if necessary, in its operations for the first two full
17 Calendar Quarters following the Effective Date and for purposes set forth in **Exhibit 1**
18 attached hereto. Upon payment of this sum to the Debtor, LAC DMH shall receive the
19 Distributions on account of its Allowed Unsecured Claim in accordance with Section
20 7.3.2.

21 **9.4 Realignment Funds, Federal Financial Participation, and State**
22 **General Funds.** As reflected in the attached **Exhibit 1**, the funding sources of the
23 Debtor's operations are primarily, if not solely, from the Realignment Funds, the State
24 General Funds for the funding of the AB2034 program, and until recently, the federal
25 funding portion for all Medi-Cal services provided (Federal Financial Participation, or
26 FFP). Presently, the Debtor anticipates other funding sources from its business
27 operations as described in **Exhibit 1**. Additional funding for Tri-City's services provided
28 under the Early and Periodic Screening Diagnosis and Treatment Program ("EPSDT

1 Program") for Medi-Cal eligible children and youth under the age of 21 may be received
2 from State General Funds subject to Tri-City entering into a contract with LAC DMH. The
3 Debtor has engaged in certain discussions with LAC DMH and the CAL DMH, the
4 substance of which may result in Tri-City and LAC DMH entering into a contract providing
5 for LAC DMH's authorization for the CAL DMH (or the California Department of Finance)
6 to reimburse Tri-City for a portion of the costs associated with the Medi-Cal Program and
7 the EPSDT Program from State General Funds. In the event that the parties reach
8 agreement, any additional funds received by Tri-City will be allocated to the
9 reimbursement of its costs incurred for services rendered by Tri-City or the rendering of
10 which was arranged by Tri-City for the Medi-Cal Program and EPSDT Program in
11 accordance with such program.

12 **9.5 Treatment of Claims Based on Disallowance of Costs.** All Claims
13 based on the Direct Cost Disallowance or Indirect Cost Disallowance of costs and
14 expenses incurred by the Debtor on or before the Petition Date as reflected in cost
15 reports prepared by the Debtor for such period shall be treated as pre-petition Claims
16 under the Plan.

17 **9.6 Disallowance of Proofs of Claim and Administrative Claims**
18 **Based on Direct or Indirect Cost Disallowance.**

19 9.6.1 All proofs of Claim shall be disallowed to the extent that the
20 proof of claim is based on a Direct Cost Disallowance or an Indirect Cost Disallowance
21 on account of costs or expenses incurred by the Debtor that were not paid in full by the
22 Debtor prior to the Petition Date, but for which a Creditor filed a proof of claim for
23 payment of the goods or services giving rise to the such cost or expense that has been
24 Allowed and is fully satisfied, released and discharged by the treatment provided under
25 the Plan.

26 9.6.2 All proofs of Claim and Administrative Claims shall be
27 disallowed and denied to the extent that the proof of claim or Administrative Claim is
28 based on an Indirect Cost Disallowance for cost or expense items for which a Proof of

1 Claim or a request for payment of an Administrative Claim also has been filed based in
2 whole or in part on a Direct Cost Disallowance for the same cost or expense items.

3 **9.7 Reduction and Unenforceability of Certain Deduction Rights;**
4 **Injunction Enjoining Enforcement of Certain Deduction Rights.**

5 9.7.1 All Deduction Rights shall be reduced by and be
6 unenforceable against the Debtor to the extent of the amount of the Deduction Right that
7 is based on a Direct Cost Disallowance or an Indirect Cost Disallowance on account of
8 costs or expenses incurred by the Debtor that were not paid in full by the Debtor prior to
9 the Petition Date, but for which a Creditor filed a proof of claim for payment of the goods
10 or services giving rise to the such cost or expense that has been Allowed and is fully
11 satisfied, released and discharged by the treatment provided under the Plan. Nothing
12 contained in this Section 9.7: (i) authorizes, approves, permits or allows the assertion,
13 enforcement or exercise of any Deduction Right in any amount; (ii) authorizes or permits
14 the enforcement, assertion or exercise of an otherwise unenforceable Deduction Right in
15 any amount; (iii) renders an otherwise unenforceable Deduction Right enforceable or
16 exercisable; (iv) constitutes an admission of any fact or liability with respect to the
17 enforceability, lawfulness or propriety of any asserted, unasserted, exercised or
18 unexercised Deduction Right in any amount; or (v) constitutes an admission that any
19 Deduction Right is lawful or proper or may be asserted, enforced or exercised in any
20 amount.

21 9.7.2 All Deduction Rights shall be unenforceable and shall not be
22 exercised against the Debtor in any manner whatsoever to the extent that the Deduction
23 Right is based on an Indirect Cost Disallowance for costs or expenses for which a
24 Deduction Right has been asserted based in whole or in part on a Direct Cost
25 Disallowance for the same cost or expense items ("Direct Deduction Right").

26 9.7.3 All Persons, including without limitation the State of California,
27 Los Angeles County, and their respective Governmental Units, who have held, hold or
28 may hold a Deduction Right that is (a) reduced and rendered unenforceable pursuant to

1 Section 9.7.1, or (b) unenforceable and not exercisable pursuant to Section 9.7.2
2 (collectively "Unenforceable Deduction Rights") shall be permanently enjoined, from and
3 after the Confirmation Date, from (i) commencing or continuing in any manner any action
4 or other proceeding of any kind with respect to any such pre-Confirmation Date
5 Unenforceable Deduction Rights against the Debtor, the holder of the Direct Deduction
6 Right or any of their respective property; (ii) enforcing, attaching, collecting, or recovering
7 by any manner or means any judgment, award, decree or order against the Debtor, the
8 holder of the Direct Deduction Right or any of their respective property with respect to
9 such pre-Confirmation Date Unenforceable Deduction Rights; (iii) creating, perfecting, or
10 enforcing any lien or encumbrance of any kind against the Debtor, the holder of the Direct
11 Deduction Right or any of their respective property with respect to such pre-Confirmation
12 Date Unenforceable Deduction Rights; and (iv) asserting, enforcing, or exercising any
13 such Unenforceable Deduction Rights in any manner whatsoever against any obligation
14 due to the Debtor or the holder of the Direct Deduction Right with respect to any such
15 pre-Confirmation Date Unenforceable Deduction Rights.

16 **9.8 Bar Date and Other Deadlines.** The last date for filing proofs of
17 claim is the Bar Date, except for claims arising from the rejection of an executory contract
18 or lease pursuant to Section 10.3 for which the last day to file a proof of claim is thirty
19 (30) days after the Effective Date. The deadline for the filing of a request for payment of
20 Administrative Claims other than an Ordinary Course Administrative Claim, a request for
21 approval of a Professional Claim, or a request for payment of monetary amounts
22 necessary to be paid to cure any existing defaults or arrearages in connection with the
23 Debtor's assumption of an executory contract or lease pursuant to Section 10.1 Plan is
24 **May 22, 2007**, the deadline to file objections to confirmation of the Plan. The deadline for
25 the filing of a request for payment of monetary amounts in connection with executory
26 leases or contracts assumed pursuant to Section 10.1 is **May 22, 2007** (see, also,
27 Section 10.4).

28

1 **9.9 Retention Of Rights, Claims, And Causes Of Action, And**
2 **Prosecution Thereof.** Pursuant to sections 901(a) and 1123(b)(3) of the Bankruptcy
3 Code, the Debtor may maintain and enforce any Rights of Action of the Debtor. All
4 Rights of Action shall remain property of the Debtor and may be prosecuted, settled, or
5 abandoned by the Debtor, subject to the terms and conditions of this Plan, the
6 Confirmation Order, and any Final Order of the Bankruptcy Court, after the Effective
7 Date. Also expressly retained are all of the claims, causes of action, defenses,
8 counterclaims, causes of action for equitable or contractual subordination, offset and
9 recoupment rights of the Debtor against any Person whether or not particularly disclosed
10 in the Disclosure Statement, it being the intent expressly provided in this Plan that the
11 requirements of *In re Heritage Hotel*, 160 B.R. 374, 377 (B.A.P. 9th Cir. 1993), *affd*, 59
12 F.3d 175 (9th Cir. 1995), and *The Alary Corp. v. Sims (In re Associated Vintage Group,*
13 *Inc.)*, 283 B.R. 549, 564 (B.A.P. 9th Cir. 2002), have been satisfied, and that all claims
14 and causes of action held by the Debtor are retained and shall not be barred under the
15 principles of res judicata, and will not be waived by reason of estoppel, judicial estoppel
16 or res judicata.

17 **9.9.1 Authority to Prosecute and Enforce Prosecution Of**
18 **Rights Of Action.** Following the Effective Date, the Debtor shall be the appointed
19 representative and shall have the exclusive right to, and may in its sole discretion,
20 pursue, litigate, compromise, and settle any and all Rights of Action, as appropriate,
21 without further notice, the opportunity for a hearing, or Bankruptcy Court approval. The
22 deadline for commencing an action based on a Right of Action shall be one hundred
23 eighty (180) days after the Effective Date or as may be further extended by order of the
24 Bankruptcy Court; provided, however, that if the entity against whom the Debtor asserts a
25 Right of Action is a debtor under any Chapter of the Bankruptcy Code, then the deadline
26 shall be one hundred eighty (180) days after the Debtor obtains relief from stay or other
27 relief which will permit the Filing of an action against such entity based on a Right of
28 Action.

1 **9.9.2 No Waiver Or Limitation Of Rights Of Action.** The failure
2 to list in the Disclosure Statement any potential or existing Right of Action generally or
3 specifically is not intended to and shall not limit the rights of the Debtor to pursue any
4 such action. Unless a Right of Action is expressly waived, relinquished, released,
5 compromised or settled in this Plan, the Debtor expressly reserves all Rights of Action for
6 later adjudication and, as a result, no preclusion doctrine, including the doctrines of res
7 judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial,
8 equitable or otherwise) or laches, shall apply to such Rights of Action upon or after the
9 confirmation or consummation of this Plan or the Effective Date.

10 **9.9.3 Authority to Settle Rights of Action.** From and after the
11 Effective Date, the Debtor shall be authorized with respect to any Rights of Action,
12 pursuant to Bankruptcy Rule 9019 and section 105(a) of the Bankruptcy Code, to
13 compromise and settle such Rights of Action, in accordance with the following
14 procedures, which shall constitute sufficient notice in accordance with the Bankruptcy
15 Code and the Bankruptcy Rules for compromise and settlement of such Rights of Action:

16 (i) If (a) the total amount in controversy in connection with a
17 Rights of Action to be settled is less than \$100,000 (i.e. the total amount the Debtor
18 seeks to recover, exclusive of costs, attorney's fees, expenses and punitive damages, is
19 less than \$100,000), (b) a proceeding has not been commenced with respect to such
20 Rights of Action in any Court and (c) the proposed settlement of the Rights of Action
21 involves solely the payment in Cash to the Debtor of an amount not less than fifty percent
22 (50%) of the total amount in controversy in connection with such Rights of Action, then
23 the Debtor shall be authorized and empowered to settle the Rights of Action and execute
24 necessary documents, including a stipulation of settlement or release, without the need
25 for prior Court approval of such settlement; and

26 (ii) If the settlement of a Rights of Action at issue is not one that
27 complies with the requirements of the foregoing subsection (i), then the Debtor may settle
28 such Rights of Action with the approval of the Bankruptcy Court pursuant to Bankruptcy

1 Rule 9019 after notice to those Persons on the Post-Effective Date Limited Notice List
2 and a hearing.

3 **9.10 Continued Vesting of Property of Tri-City.** On and after the
4 Effective Date, Tri-City shall remain vested with all its property.

5 **9.11 Cancellation Of Liens.** Except as otherwise specifically provided in
6 this Plan (including Section 6.1), on the Effective Date any Lien or security interest
7 securing any Secured Claim shall be deemed released, and the entity holding such
8 Secured Claim shall (i) be authorized and directed to release any collateral or other
9 property of the Debtor (including without limitation any cash collateral) held by such
10 entity, and (ii) take such actions as may be requested by the Debtor to evidence the
11 release of such lien, including without limitation the execution, delivery and filing or
12 recording of such releases.

13 **9.12 Objections To Claims; Prosecution Of Objections To Disputed**
14 **Claims.**

15 **9.12.1 Claims Objection Deadline.** Except as otherwise provided in
16 the Plan, the deadline for objecting to Claims shall be one hundred eighty (180) days
17 after the Effective Date or as may be further extended by order of the Bankruptcy Court;
18 provided, however, that if the holder of the Claim is a debtor under any Chapter of the
19 Bankruptcy Code, then the deadline shall be one hundred eighty (180) days after the
20 Debtor obtains relief from stay or other relief which will permit the Filing of an objection to
21 such Claim.

22 **9.12.2 No Distributions Pending Allowance.** Notwithstanding any
23 other provision of the Plan, no Cash or other property shall be distributed under the Plan
24 on account of any Claim unless and until such Claim becomes Allowed.

25 **9.12.3 Authority to Prosecute Claim Objections.** Unless
26 otherwise ordered by the Bankruptcy Court after notice and a hearing and except as
27 expressly provided herein, from and after the Effective Date the Debtor shall have the
28 exclusive right to file objections to Claims. As to objections Filed prior to the Effective

1 Date but not resolved or determined before the Effective Date, the Debtor, as provided
2 herein, shall be vested on the Effective Date with all rights, interests, and authority with
3 respect to the objections.

4 **9.12.4 Authority to Settle Disputed Claims.** From and after the
5 Effective Date, the Debtor shall be authorized with respect to those Claims that are not
6 Allowed hereunder or by Final Order of the Bankruptcy Court, pursuant to Bankruptcy
7 Rule 9019 and section 105(a) of the Bankruptcy Code, to compromise and settle
8 Disputed Claims, in accordance with the following procedures, which shall constitute
9 sufficient notice in accordance with the Bankruptcy Code and the Bankruptcy Rules for
10 compromise and settlement of claims:

11 a. If the proposed amount at which the Disputed Claim to be
12 allowed is less than or equal to \$100,000, the Debtor shall be authorized and empowered
13 to settle the Disputed Claim and execute necessary documents, including a stipulation of
14 settlement or release without the need to obtain Court approval of such settlement; and

15 b. If the proposed amount at which the Disputed Claim is to be
16 allowed is greater than \$100,000, the Debtor shall be authorized and empowered to
17 settle such Disputed Claim and execute necessary documents, including a stipulation of
18 settlement or release, only upon receipt of Bankruptcy Court approval of such settlement
19 after notice to those Persons on the Post-Effective Date Limited Notice List and a
20 hearing.

21 **9.13 Effectuating Documents And Further Transactions.** Each of the
22 officials and employees of the Debtor, and subject to the extent authorized by the
23 Debtor's Governing Board, is authorized to execute, deliver, file, or record such contracts,
24 instruments, releases, indentures, and other agreements or documents and take such
25 actions as may be necessary or appropriate to promote, effectuate, implement and
26 further evidence the terms and provisions of this Plan.

27 **9.14 Implementation Reports.** On the earlier of 90 days following the
28 Confirmation Date or 30 days after Distributions are first made to the holders of Allowed

1 Claims in Classes 2, 3 and 4, the Debtor shall file an implementation report with the clerk
2 of the Bankruptcy Court setting forth the status of implementation of the Plan.

3 Supplemental implementation reports shall be filed every 120 days thereafter until the
4 time that the Debtor files a motion with the clerk of the Bankruptcy Court requesting the
5 entry of a final decree closing the Case. A final implementation report will be included in
6 the Debtor's motion for a final decree.

7 **9.15 Settlement Agreement Regarding Zions Bank, City of Pomona**

8 **and M.R. Grant**The Settlement Agreement resolved disputes by and among the parties
9 identified therein by providing that Tri-City's insurer, U.S. Specialty Insurance Company
10 ("USSIC"), and M.R. Grant's insurer, Continental Casualty Company ("CCC"), severally
11 as per their respective agreed contributions place the total amount of approximately
12 \$1,086,000.00 into an escrow account (the "Settlement Proceeds"). From the Settlement
13 Proceeds, Zions Bank received, in partial satisfaction of its Allowed Claim, at least
14 \$897,000; the City of Pomona received, in partial satisfaction of its Allowed Claim,
15 \$185,000; and Tri-City received \$4,000. The Settlement Agreement also provides that
16 the balance of the Allowed Claims of each Zions Bank and the City of Pomona are
17 satisfied and in exchange for the release of the claims Tri-City has against each and,
18 further, that each Zions Bank and the City of Pomona release Tri-City from any further
19 claims. These releases are effective upon the Confirmation of the Plan. Accordingly,
20 neither Zions Bank nor the City of Pomona will receive any further Distributions under the
21 Plan or from Tri-City.

22 Any claims that have arisen or may arise which are based on the services that
23 M.R. Grant provided to the Debtor, or which are related in any way to the services the
24 M.R. Grant provided to the Debtor, belong to the Debtor exclusively as the property of the
25 Debtor's bankruptcy estate pursuant to 11 U.S.C. 902(1). The Debtor therefore has the
26 sole and exclusive right to pursue any such claims. Furthermore, to the extent that any
27 such claims exist which are based on services that M.R. Grant provided to the Debtor, all
28 such claims have been completely and irrevocably settled pursuant to the Bankruptcy

1 Court approved Agreement which the Debtor entered into with M.R. Grant and others on
2 or about August 31, 2005.

3 **ARTICLE 10**

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

5 **10.1 Assumption Of Certain Executory Contracts And Unexpired**

6 **Leases.** The Debtor assumes the executory contracts and unexpired leases set forth in
7 **Exhibit 2** hereto and this Plan shall constitute a motion to assume such executory
8 contracts and unexpired leases. Subject to the occurrence of the Effective Date, entry of
9 the Confirmation Order by the Bankruptcy Court shall constitute approval of and
10 authorization for the assumption of such executory contracts and unexpired leases
11 pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court
12 that each assumption is in the best interest of the Debtor and all parties in interest in the
13 Chapter 9 Case.

14 **10.2 Cure Payments.** As soon as practicable after and in no event later

15 than thirty (30) days after the Effective Date, the Debtor or its agent shall pay to each
16 party to an executory contract or unexpired lease assumed pursuant to Section 10.1 any
17 monetary amounts required to be paid under section 365(b) of the Bankruptcy Code as a
18 condition to assumption, unless the Debtor and such party agree to different
19 arrangements for the satisfaction of obligations under section 365(b). The Bankruptcy
20 Court shall retain jurisdiction to and, after the provision of notice and the opportunity for a
21 hearing in accord with the Bankruptcy Rules, shall resolve all disputes regarding (a) the
22 amount of any cure payment to be made pursuant to this Section 10.2; (b) the ability of
23 the Debtor to provide "adequate assurance of future performance" within the meaning of
24 section 365 of the Bankruptcy Code under the contract or lease to be assumed; and (c)
25 any other matter pertaining to such assumption.

26 **10.3 Rejection of Executory Leases and Contracts Not Specifically**

27 **Assumed.** Any executory contracts or unexpired leases that (i) are not identified on
28 **Exhibit 2** hereto, (ii) have not expired by their own terms on or prior to the Effective Date,

1 (iii) have not been assumed, assumed and assigned, or rejected with the approval of the
2 Bankruptcy Court as of the Effective Date, and (iv) are not the subject of a motion for
3 rejection pending as of the Effective Date, shall be deemed to have been rejected by the
4 Debtor effective as of the Confirmation Date, and this Plan shall constitute a motion to
5 reject such executory contracts and unexpired leases. Subject to the occurrence of the
6 Effective Date, entry of the Confirmation Order by the Bankruptcy Court shall constitute
7 approval of and authorization for the rejection of such executory contracts and unexpired
8 leases pursuant to section 365(a) of the Bankruptcy Code and a finding by the
9 Bankruptcy Court that each rejection is in the best interest of the Debtor and all parties in
10 interest in the Chapter 9 Case.

11 **10.4 Bar Date For The Assertion Of Claims For Cure Payments.** The
12 Debtor currently does not believe that any amounts are necessary to be paid in order to
13 cure any existing defaults or arrearages under the executory contracts and unexpired
14 leases to be assumed pursuant to Section 10.1. Any party to such an executory contract
15 or unexpired lease that asserts that any payment or other performance is due in
16 connection with the proposed assumption of such agreement in accordance with this
17 Plan must file with the Bankruptcy Court and serve upon the Debtor a written statement
18 and accompanying declaration in support thereof specifying the basis for its claim within
19 the same deadline and in the manner established for filing objections to confirmation of
20 this Plan (i.e., **May 22, 2007**). The failure to timely file and serve such a statement shall
21 constitute and be deemed a waiver of any and all objections to the proposed assumption
22 and any claim for cure amounts of the agreement at issue.

23 **10.5 Claims Arising From Rejection.** Proofs of Claim arising from the
24 rejection of executory contracts or unexpired leases pursuant to Section 10.3 must be
25 Filed with the Bankruptcy Court and served on the Debtor no later than thirty (30) days
26 after the date on which the Notice of Effective Date is mailed. Any Claim for which a
27 proof of Claim is not Filed and served within such time will be forever barred and shall not
28 be enforceable against the Debtor or its assets, properties, or interests in property.

1 Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely Filed
2 as provided herein shall be treated as General Unsecured Claims and be classified in
3 Class 2, or as an Unsecured Claim and classified into Classes 3 or 4, as is appropriate.

4 **ARTICLE 11**

5 **PROVISIONS GOVERNING DISTRIBUTIONS**

6 **11.1 Disbursing Agent.** On or after the Effective Date, the Debtor may
7 retain one or more agents to perform or assist it in performing the Distributions to be
8 made pursuant to this Plan, which agents may perform without bond. The Debtor may
9 provide reasonable compensation to any such agent(s) without further notice or
10 Bankruptcy Court approval.

11 **11.2 Delivery Of Distributions.** All Distributions to any holder of an
12 Allowed Claim shall be made at the address of such holder as set forth in the (i) List of
13 Creditors, unless the Debtor has been notified by such holder in a writing that contains an
14 address for such holder different from the address reflected in such List of Creditors for
15 such holder; or (ii) holder's proof of claim, unless the Debtor has been notified by such
16 holder in a writing that contains an address for such holder different from the address set
17 forth in the proof of claim. If any holder's Distribution is returned as undeliverable, no
18 further Distributions to such holder shall be made unless and until the Debtor is notified of
19 such holder's then-current address, at which time all missed Distributions shall be made
20 to such holder, without interest.

21 **11.3 Distributions Of Cash.** Any payment or Distribution of Cash to be
22 made by the Debtor or its agent pursuant to this Plan shall be made by check drawn on a
23 domestic bank or by wire transfer, at the sole option of the Debtor.

24 **11.4 Timeliness Of Payments.** Any payments or Distributions to be
25 made pursuant to this Plan shall be deemed to be timely made if made within fourteen
26 (14) days after the dates specified in this Plan. Whenever any Distribution to be made
27 under this Plan shall be due on a day other than a Business Day, such Distribution
28

1 instead shall be made, without interest, on the immediately succeeding Business Day,
2 but shall be deemed to have been made on the date due.

3 **11.5 No Post Petition Accrual.** Unless otherwise specifically provided in
4 this Plan or by order of the Bankruptcy Court, the Debtor shall not be required to pay to
5 any holder of a Claim any interest, penalty or late charge accruing with respect to such
6 Claim on or after the Petition Date. Interest shall not accrue or be paid upon any
7 Disputed Claim in respect of the period from the Petition Date to the date a final
8 Distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.
9 With respect to oversecured Claims (see 11 U.S.C. § 506(b)), post-petition interest shall
10 accrue on such Claims at the applicable statutory or contractual nondefault rate, as the
11 case may be.

12 **11.6 Holding Undeliverable Distributions.** If any payment or
13 Distribution to any holder is returned to the Debtor or its agent as undeliverable, no
14 further payments or Distributions shall be made to such holder unless and until the
15 Debtor is notified in writing of such holder's then-current address. Unless and until the
16 Debtor is so notified, such payment or Distribution, as the case may be, shall be deemed
17 to be "Unclaimed Property" and shall be dealt with in accordance with Sections 11.7 and
18 11.8.

19 **11.7 Unclaimed Property.** Tri-City shall deposit any Unclaimed
20 Distributions in the Disputed Claims Reserve to be maintained by Tri-City and held in
21 trust for the benefit of the holders of Allowed Claims entitled thereto under the terms of
22 the Plan. Prior to the expiration of two years following the payment or Distribution date,
23 Unclaimed Distributions due to the holders of an Allowed Claim shall be released from
24 the Disputed Claims Reserve and delivered to the holder upon presentation of proper
25 proof by such holder of its entitlement thereto. At the end of two years following the
26 payment or Distribution date, the holder of Allowed Claims theretofore entitled to
27 Unclaimed Distributions shall cease to be entitled thereto, and the Unclaimed
28 Distributions shall then become Tri-City's property.

1 **11.8 Time Bar To Cash Payments.** Checks issued by the Debtor on
2 account of Allowed Claims shall be null and void if not negotiated within ninety (90) days
3 from and after the date of issuance thereof. Requests for reissuance of any check shall
4 be made directly to the Debtor by the holder of the Allowed Claim with respect to which
5 such check originally was issued. Any claim in respect of such a voided check shall be
6 made on or before the second anniversary of the date on which the voided check was
7 mailed. After such date, all claims in respect of voided checks shall be discharged and
8 forever barred and the Debtor shall retain all moneys related thereto.

9 **11.9 Compliance With Tax Requirements.** The Debtor shall comply
10 with all tax withholding and reporting requirements imposed on it by any Governmental
11 Unit, and all Distributions pursuant to this Plan shall be subject to such withholding and
12 reporting requirements. In connection with each Distribution with respect to which the
13 filing of an information return (such as Internal Revenue Service Form 1099 or 1042) or
14 withholding is required, the Debtor shall file such information return with the Internal
15 Revenue Service and provide any required statements in connection therewith to the
16 recipients of such Distribution, or effect any such withholding and deposit all moneys so
17 withheld to the extent required by law. With respect to any entity from whom a tax
18 identification number, certified tax identification number, or other tax information required
19 by law to avoid withholding has not been received by the Debtor, the Debtor, at its sole
20 option, may withhold the amount required and distribute the balance to such entity or
21 decline to make such Distribution until the information is received. If the holder of an
22 Allowed Claim fails to provide the information necessary to comply with any withholding
23 requirements of any Governmental Unit within six (6) months from the date of first
24 notification to the holder of the need for such information or for the Cash necessary to
25 comply with any applicable withholding requirements, then the holder's Distribution shall
26 be treated as an undeliverable Distribution in accordance with this Plan.

27 **11.10 No Distributions On Account Of Disputed Claims.**
28 Notwithstanding anything to the contrary in this Plan, no Distributions shall be made on

1 account of any part of any Disputed Claim until such Claim becomes Allowed (and then
2 only to the extent so Allowed). Distributions made after the Effective Date in respect of
3 Claims that were not Allowed as of the Effective Date (but which later became Allowed)
4 shall be deemed to have been made as of the Effective Date.

5 **11.11 Disputed Claims Reserve.** The Debtor will withhold the Disputed
6 Claims Reserve from the Cash to be distributed to holders of Allowed General Unsecured
7 Claims in Classes 2, 3 and 4 under the Plan. The Debtor may request estimation for any
8 Disputed Claim that is contingent or unliquidated and the Debtor will withhold the
9 Disputed Claims Reserve based upon the estimated amount of such claim as estimated
10 by the Bankruptcy Court. If the Court so orders, any Claimant whose Claim is so
11 estimated shall have recourse only to the reserve established by the Bankruptcy Court for
12 such Claimant's Disputed Claim, and not to the Debtor or any Person receiving property
13 or Distributions under the Plan, even if the Allowed Claim of such Claimant exceeds the
14 maximum estimation of such Claim. **THUS, THE BANKRUPTCY COURT'S**
15 **ESTIMATION OF A DISPUTED CLAIM WILL LIMIT THE DISTRIBUTION TO BE MADE**
16 **THEREON, REGARDLESS OF THE AMOUNT FINALLY ALLOWED ON ACCOUNT OF**
17 **SUCH CLAIM.** If the Debtor elects not to request such an estimation from the
18 Bankruptcy Court with respect to a Disputed Claim that is contingent or unliquidated, the
19 Debtor will withhold the Disputed Claims Reserve based on the Face Amount of such
20 Claim. If practicable, the Debtor will invest any Cash that is withheld in the Disputed
21 Claims Reserve Account in a manner that will yield a reasonable net return, taking into
22 account the safety of the investment. Nothing in the Plan or Disclosure Statement will be
23 deemed to entitle the holder of a Disputed Claim to interest, post-petition or otherwise, on
24 such Claim.

25 **11.12 Distribution After Allowance.** At such time as a Disputed Claim
26 becomes an Allowed Claim, in whole or in part, the Debtor or its agent shall distribute to
27 the holder thereof the Distributions, if any, to which such holder is then entitled under this
28 Plan. Such Distributions, if any, shall be made as soon as practicable after the date that

1 the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a
2 Final Order (or such other date as the Claim becomes an Allowed Claim), but in no event
3 more than thirty (30) days thereafter. Unless otherwise specifically provided in this Plan
4 or Allowed by order of the Bankruptcy Court, no interest shall be paid on Disputed Claims
5 that later become Allowed Claims.

6 **11.13 No De Minimis Distributions.** Notwithstanding any other provision
7 of this Plan, no Cash payment of less than ten dollars (\$10.00) shall be required by the
8 Debtor on account of any Allowed Claim.

9 **11.14 Claims Covered by Insurance.** Any Allowed Claim which has
10 available as a source of payment either an insurance policy issued to the Debtor or in
11 which the Debtor has any rights as named insured or beneficiary, including but not limited
12 to general liability, workers compensation, and automobile insurance, shall receive
13 Distributions pursuant to this Section. Nothing in the Plan modifies, limits, impairs, or
14 otherwise affects the terms or provisions of any particular insurance policy, program, or
15 agreement, or the nature and extent of coverage thereunder.

16 **11.14.1 Authorized Insurance Payments.**

17 If an insurer stipulates that payment of an Allowed Claim will not affect
18 coverage for other Claims that may be made under the same insurance policy (i.e.,
19 aggregate limits are sufficient to cover all such Claims), the Claimant may receive
20 payment from said insurer without further order of the Bankruptcy Court. If there is no
21 such stipulation by the insurer (i.e., an aggregate limit may exist), the Debtor shall use its
22 best efforts to obtain an order from the Bankruptcy Court authorizing the insurer to
23 exercise either of the following two (2) payment options:

24 a. Option A: The insurer shall pay the amount of the Allowed
25 Claim (up to the amount of policy limits) to the Claimant if the Bankruptcy Court estimates
26 that total Claims will not exceed the limits of the policy at issue and authorizes payment;

27 or

28

1 b. Option B: The insurer shall pay the amount of the Allowed
2 Claim (up to the amount of the policy or bond limits) to the Debtor for Pro Rata
3 Distribution to all holders of Allowed Claims whose Claims are insured by the particular
4 insurance policy at issue. Upon said payment, all suits against the insurer based upon,
5 arising out of, or related to the Claim for which payment was made shall be enjoined.
6 The funds paid to the Debtor under this section shall be deposited in a separate account,
7 which shall be interest-bearing if possible, and held for payment of only those Allowed
8 Claims which are covered by the insurance policy at issue; and Distribution of funds in
9 this account shall be made only when and on such terms as the Bankruptcy Court
10 authorizes.

11 c. The Debtor or any holder of an Allowed Claim that is covered
12 by an insurance policy may File a motion in the Bankruptcy Court for an order authorizing
13 payment or Distribution under this Section, on notice to those Persons on the Post-
14 Effective Date Limited Notice List, the Claimant, and the applicable insurance company.

15 11.14.2 **Exhaustion of Insurance.**

16 Distributions on account of Allowed Claims shall be made first from the
17 applicable insurance policies before any Distribution is made on account of such Allowed
18 Claims from the Distribution Reserve held by the Debtor, including from the Disputed
19 Claims Reserve Account. The Bankruptcy Court may provisionally determine or estimate
20 that a Claim would be covered by an insurance policy, if and to the extent it were an
21 Allowed Claim, in which event the Claim shall be provisionally disallowed and shall not
22 receive any Distributions from the Debtor or the Disputed Claims Reserve Account
23 pending a determination by an arbitrator, judge, or court of competent jurisdiction as to
24 whether and to what extent such Claim is covered by the insurance policy. Each Allowed
25 Claim shall be reduced by all payments that the holder of said Allowed Claim receives
26 pursuant to any insurance policy.

27 11.14.3 **Coverage Denied.**

28

1 a. If an insurer denies coverage of an Allowed Claim, that Claim
2 shall be treated the same as an Allowed Claim in accordance with the Plan.

3 b. If the Debtor, or the holder of an Allowed Claim obtains a
4 recovery from an insurer for an Allowed Claim for which coverage was earlier denied,
5 then the recovery shall be treated the same as a payment under this Plan. If the
6 Claimant has previously received a Distribution of Cash from the Debtor on account of its
7 Allowed Claim, such Distribution shall be credited against the amount of the Allowed
8 Claim in its Class and, to the extent that the insurance recovery plus the prior Distribution
9 exceeds the Allowed Claim, said surplus shall be retained by the Debtor or, if held by the
10 Claimant, turned over to the Debtor.

11 **11.14.4 Calculation of Claim for Distributions.**

12 In the event an Allowed Claim receives payment from an insurance policy
13 and the holder thereof also seeks Distributions of Cash from the Distribution Reserve
14 under this Plan, then the aggregate of (a) all payments received on account of said
15 Allowed Claim from any insurance, plus (b) Distributions of Cash from the Distribution
16 Reserve under this Plan on account of said Allowed Claim, shall not exceed (c) an
17 amount equal to the Cash Distribution said Allowed Claim would have been entitled to
18 under this Plan.

19 **11.15 Setoffs.** The Debtor may, in accordance with section 553 of the
20 Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim
21 and the Distributions to be made pursuant to the Plan on account of such Claim (before
22 any Distribution is made on account of such Claim), the claims, rights and causes of
23 action of any nature that the Debtor may hold against the holder of such Allowed Claim;
24 provided, however, that neither the failure to effect such a setoff nor the allowance of any
25 Claim hereunder shall constitute a waiver or release by the Debtor of any such claims,
26 rights and causes of action that the Debtor may possess against such holder.

27 **11.16 Estimation of Claims.** The Debtor may, at any time, request that
28 the Bankruptcy Court estimate, pursuant to section 502(c) of the Bankruptcy Code, any

1 Claim that is contingent or unliquidated, regardless of whether any party in interest has
2 previously objected to such Claim or whether the Bankruptcy Court has ruled on any
3 such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at
4 any time during litigation concerning any objection to any Claim, including during the
5 pendency of any appeal relating to any such objection. In the event that the Bankruptcy
6 Court estimates any contingent or unliquidated Claim, the amount of such estimation will
7 constitute either the Allowed amount of such Claim or a maximum limitation on such
8 Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a
9 maximum limitation on such Claim, the Debtor may elect to pursue any supplemental
10 proceedings to object to any ultimate payment on such Claim. All of the aforementioned
11 Claims objection, estimation and resolution procedures are cumulative and are not
12 necessarily exclusive of one another. Claims may be estimated and thereafter resolved
13 by any mechanism permitted under the Bankruptcy Code or the Plan.

14 **11.17 Amendments to Claims.** A Claim may be amended prior to the
15 Confirmation Date only as agreed upon by the Debtor and the holder of such Claim, or as
16 otherwise permitted by the Bankruptcy Court, the Bankruptcy Rules or applicable law.
17 After the Confirmation Date, a Claim may not be Filed or amended without the
18 authorization of the Bankruptcy Court. Unless otherwise provided herein, any new or
19 amended Claim Filed after the Confirmation Date shall be deemed disallowed in full
20 without any action by the Debtor, unless the holder of such Claim has obtained prior
21 Bankruptcy Court authorization for the Filing.

22 **11.18 Allocation of Distributions.** Distributions to any holder of an
23 Allowed Claim shall be allocated first to the original principal portion of any such Allowed
24 Claim, and then, to the extent the consideration exceeds such amount, to the remainder
25 of such Claim.

26 **11.19 Fractional Dollars.** Any other provision of the Plan notwithstanding,
27 payments of fractions of dollars shall not be made. Whenever any payment of a fraction
28 of a dollar under the Plan would otherwise be called for, the actual payment made shall

1 reflect a rounding of such fraction to the nearest whole dollar (up or down), with half
2 dollars being rounded up.

3 **ARTICLE 12**

4 **EFFECT OF CONFIRMATION**

5 **12.1 Discharge Of The Debtor.** Pursuant to section 944 of the
6 Bankruptcy Code, Confirmation of the Plan discharges the Debtor from all Debts of the
7 Debtor and Claims against the Debtor that arose prior to the Confirmation Date, whether
8 or not: (a) a proof of Claim based on such Debt is filed or deemed filed under section 501
9 of the Bankruptcy Code; (b) such Claim is allowed under section 502 of the Bankruptcy
10 Code; or (c) the holder of such Claim accepts the Plan, except for (i) any Debt specifically
11 and expressly excepted from discharge by the Plan or the Confirmation Order, or (ii) any
12 Debt owed to an entity that, before the confirmation of this Plan, had neither notice nor
13 actual knowledge of the Chapter 9 Case.

14 The rights afforded in this Plan and the treatment of all holders of Claims
15 shall be in exchange for and in complete satisfaction, discharge and release of all Claims
16 of any nature whatsoever arising on or before the Confirmation Date, known or unknown,
17 including any interest accrued or expenses incurred thereon from and after the Petition
18 Date, whether against the Debtor or any of its properties, assets or interests in property.
19 Except as otherwise provided herein, upon the Confirmation Date, all Claims against the
20 Debtor shall be deemed to be satisfied, discharged and released in full.

21 **12.2 Judgments Obtained on Discharged Debts are Void.** Pursuant to
22 sections 901(a) and 524(a)(1) of the Bankruptcy Code, the Debtor's discharge upon
23 Confirmation of the Plan under section 944(b) of the Bankruptcy Code, voids any
24 judgments at any time obtained, to the extent that such judgment is a determination of
25 liability of the Debtor with respect to any Debt discharged whether or not discharge of
26 such Debt is waived.

27 **12.3 Discharge Injunction.** Except as otherwise expressly provided
28 in this Plan, all Persons who have held, hold or may hold pre-Confirmation Date

1 **Claims shall be permanently enjoined, from and after the Confirmation Date, from**
2 **(a) commencing or continuing in any manner any action or other proceeding of any**
3 **kind with respect to any such pre-Confirmation Date Claim against the Debtor or**
4 **its property; (b) enforcing, attaching, collecting, or recovering by any manner or**
5 **means any judgment, award, decree or order against the Debtor or its property**
6 **with respect to such pre-Confirmation Date Claims; (c) creating, perfecting, or**
7 **enforcing any lien or encumbrance of any kind against the Debtor or its property;**
8 **and (d) except with respect to a setoff right under section 553 of the Bankruptcy**
9 **Code, but not including any Deduction Right of CAL DMH and/or LAC DMH,**
10 **asserting any other right of setoff, subrogation or recoupment of any kind against**
11 **any obligation due to the Debtor with respect to any such pre-Confirmation Date**
12 **Claim.**

13 **12.4 Term Of Existing Injunctions Or Stays.** Unless otherwise provided
14 or subject to Section 12.3 above, all injunctions or stays provided for in the Chapter 9
15 Case pursuant to sections 105, 362, or 922 of the Bankruptcy Code, or otherwise, and in
16 existence on the Confirmation Date, shall remain in full force and effect until the Effective
17 Date.

18 **12.5 Release by Claimants.** On the Effective Date, all Claimants and
19 each entity (collectively, "Releasing Parties") that has held, holds or may hold a
20 Claim, in consideration for the obligations of Tri-City under the Plan, shall have
21 conclusively, absolutely, unconditionally, irrevocably and forever, releases Tri-City
22 and the cities of Pomona, La Verne, and Claremont, and each of them, from any
23 Claim or Cause of Action existing as of the Effective Date arising from, based on or
24 relating to, in whole or in part, the subject matter of, or the transaction or event
25 giving rise to, the Claim of such Releasing Party, and any act, omission,
26 occurrence or event in any manner related to such subject matter, transaction or
27 obligation. The releases provided in this Section 12.5 shall also act as a
28 permanent injunction against any Person commencing or continuing any action,

1 employment of process, or act to collect, offset or recover any Claim or Cause of
2 Action satisfied or release under this Plan to the fullest extent authorized or
3 provided by the Bankruptcy Code.

4 **ARTICLE 13**

5 **MODIFICATION OF PLAN**

6 **13.1** The Plan may be modified upon motion of the Debtor, or
7 corrected by the Debtor prior to the Effective Date, without notice and a hearing
8 and without additional disclosure pursuant to section 942 of the Code provided
9 that, after notice to all parties who have filed and served a request for special
10 notice in the Case, the Bankruptcy Court finds that such modification does not
11 materially or adversely affect any Creditor or any Class of Creditors.

12 **13.2** At any time prior to Consummation of the Plan, the Debtor may
13 seek Bankruptcy Court authorization to remedy any defect or omission, reconcile
14 any inconsistencies in the Plan or in the Confirmation Order, or effect such other
15 changes, modifications, or amendments as may be necessary to carry out the
16 purposes and intent of the Plan.

17 **ARTICLE 14**

18 **RETENTION OF JURISDICTION**

19 **14.1** Following the Effective Date, the Bankruptcy Court shall retain
20 jurisdiction consistent with section 904 of the Bankruptcy Code until
21 Consummation of the Plan or entry of a final decree closing the Chapter 9 Case.
22 The Bankruptcy Court shall further retain jurisdiction for all purposes consistent
23 with Plan, and its implementation, and the Code.

24 **14.2** The Bankruptcy Court shall retain and have exclusive
25 jurisdiction over any matter consistent with section 904 of the Bankruptcy Code
26 and: (i) arising under the Bankruptcy Code and relating to the Debtor; (ii) arising in
27 or related to the Chapter 9 Case or this Plan, including administration of the
28

1 **Chapter 9 Case and implementation and Consummation of the Plan; and (ii)**
2 **otherwise, including but not limited to, the following purposes:**

3 14.2.1 To resolve any matters related to the assumption, assumption
4 and assignment, or rejection of any executory contract or unexpired lease to which the
5 Debtor is a party or with respect to which the Debtor may be liable, and to hear,
6 determine and, if necessary, liquidate, any Claims arising there from;

7 14.2.2 To enter such orders as may be necessary or appropriate to
8 implement or consummate the provisions of this Plan, documents executed, entered into
9 delivered or recorded pursuant to or in connection with the Plan and all other contracts,
10 instruments, releases, and other agreements or documents related to this Plan;

11 14.2.3 To determine any and all motions, adversary proceedings,
12 applications and contested or litigated matters that may be pending on the Effective Date
13 or that, pursuant to this Plan, may be instituted by the Debtor after the Effective Date or
14 that are instituted by any holder of a Claim before or after the Effective Date concerning
15 any matter based upon, arising out of, or relating to the Chapter 9 Case, whether or not
16 such action initially is filed in the Bankruptcy Court or any other Bankruptcy Court;

17 14.2.4 To determine all causes of action, controversies, disputes or
18 conflicts involving the right to participate in any Distribution under the Plan, whether or
19 not subject to an action pending as of the Effective Date, between the Debtor and any
20 other party;

21 14.2.5 To hear and determine any objections to Claims or to proofs
22 of Claim filed, both before and after the Effective Date, including any objections to the
23 classification of any Claim, and to allow, disallow, determine, liquidate, classify, estimate
24 or establish the priority of or secured or unsecured status of any Claim, in whole or in
25 part;

26 14.2.6 To enter and implement such orders as may be appropriate in
27 the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or
28 vacated;

1 14.2.7 To issue such orders in aid of execution of this Plan, to the
2 extent authorized by sections 945 or 1142(b) of the Bankruptcy Code;

3 14.2.8 To consider any modifications or amendment of this Plan after
4 Confirmation pursuant to the Bankruptcy Code or the Bankruptcy Rules;

5 14.2.9 To cure any defect or omission, or reconcile any inconsistency
6 in the Plan, any order of the Bankruptcy Court, including the Confirmation Order;

7 14.2.10 To hear and determine, as appropriate, the
8 reasonableness of compensation for services rendered and reimbursement of expenses
9 incurred prior to the Effective Date;

10 14.2.11 To hear and determine all disputes or controversies
11 arising in connection with or relating to this Plan or the Confirmation Order or the
12 interpretation, implementation, or enforcement of this Plan or the Confirmation Order or
13 the extent of any Person's obligations incurred in connection with or released under this
14 Plan or the Confirmation Order;

15 14.2.12 To issue injunctions, enter and implement other orders
16 or take such other actions as may be necessary or appropriate to restrain interference by
17 any Person with consummation or enforcement of this Plan;

18 14.2.13 To determine any other matters that may arise in
19 connection with or that are related to this Plan, the Disclosure Statement, the
20 Confirmation Order or any contract, instrument, release or other agreement or document
21 related to this Plan or the Disclosure Statement (including the Plan Documents);

22 14.2.14 To hear any other matter or for any purpose specified
23 in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

24 14.2.15 To hear and determine any Rights of Action;

25 14.2.16 To hear and determine requests for the granting of
26 extensions of any deadline set forth in the Plan; and

27 14.2.17 To enter a final decree closing the Chapter 9 Case.
28

1 and all holders of Claims shall be restored to the status quo ante as of the day
2 immediately preceding the Confirmation Date as though the Confirmation Date never
3 occurred, and (d) all of the Debtor's obligations with respect to the Claims shall remain
4 unchanged and nothing contained herein shall be deemed to constitute a waiver or
5 release of any claims by or against the Debtor or any other entity or to prejudice in any
6 manner the rights of the Debtor or any entity in any further proceedings involving the
7 Debtor.

8 ARTICLE 16

9 MISCELLANEOUS PROVISIONS

10 **16.1 Severability.** If, prior to the Confirmation Date, any term or provision
11 of this Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the
12 Bankruptcy Court, with the consent of the Debtor shall have the power to alter and
13 interpret such term or provision to make it valid or enforceable to the maximum extent
14 practicable, consistent with the original purpose of the term or provision held to be invalid,
15 void or unenforceable, and such term or provision shall then be applicable as altered or
16 interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder
17 of the terms and provisions of this Plan shall remain in full force and effect and shall in no
18 way be affected, impaired or invalidated by such holding, alteration or interpretation. The
19 Confirmation Order shall constitute a judicial determination and shall provide that each
20 term and provision of this Plan, as it may have been altered or interpreted in accordance
21 with the foregoing, is valid and enforceable pursuant to its terms.

22 **16.2 Interpretation.** To the extent that the terms of the Plan are
23 inconsistent with the terms of any agreement or instrument concerning any Claim, or any
24 other matter, the terms of the Plan shall control.

25 **16.3 Successors and Assigns.** The rights, benefits and obligations of
26 any Person named or referred to in this Plan shall be binding upon and inure to the
27 benefit of any heir, executor, administrator, successor, or assignee of such Person.
28

1 **16.4 Governing Law.** Except to the extent that the Bankruptcy Code or
2 other federal law is applicable, or to the extent that an Exhibit hereto or Plan Document
3 provides otherwise, the rights, duties and obligations arising under this Plan shall be
4 governed by, and construed and enforced in accordance with the laws of the State of
5 California, without giving effect to principles of conflicts of laws.

6 **16.5 Headings.** Headings are used in the Plan for convenience and
7 reference only, and shall not constitute a part of the Plan for any other purpose.

8 **16.6 Saturday, Sunday or Legal Holiday.** If any payment or act under
9 the Plan is required to be made or performed on a date that is not a Business Day, then
10 the making of such payment or the performance of such act may be completed on the
11 next succeeding Business Day, but shall be deemed to have been completed as of the
12 required date.

13 **16.7 Notice Of Effective Date.** On or before ten (10) Business Days
14 after occurrence of the Effective Date, Tri-City or its agent shall mail or cause to be
15 mailed to all holders of Claims a Notice that informs such holders of (a) entry of the
16 Confirmation Order; (b) the occurrence of the Effective Date; (c) the rejection of Tri-City's
17 executory contracts and unexpired leases pursuant to this Plan, as well as the deadline
18 for the filing of Claims arising from such rejection; (d) the deadline established under this
19 Plan for the filing of Administrative Claims; (e) the procedures for changing an address of
20 record pursuant to Section 11.2; and (f) such other matters as Tri-City deems to be
21 appropriate.

22 **16.8 Post Effective Date Limited Notice List.** Because the Limited
23 Notice List in this Chapter 9 Case may include Persons who may not desire to continue
24 to receive notices after the Effective Date, this Plan provides for the establishment of a
25 Post-Effective Date Limited Notice List. Persons on such Post-Effective Date Limited
26 Notice List will be given certain notices and in some cases an opportunity to object to
27 certain matters under the Plan (as described herein). Any Person desiring to be included
28 in the Post-Effective Date Limited Notice List must (1) File a request to be included on the

1 Post-Effective Date Limited Notice List and include thereon its name, contact person,
 2 address, telephone number, facsimile number and email address, within thirty (30) days
 3 after the Effective Date, and (2) concurrently serve a copy of its request to be included on
 4 the Post-Effective Date Limited Notice List on the Debtor and its counsel. On or before
 5 sixty (60) days after the Effective Date, the Debtor shall compile a list of all Persons on
 6 the Post-Effective Date Limited Notice List and File such list with the Bankruptcy Court.
 7 The U.S. Trustee and the Debtor's counsel shall be automatically included on the Post-
 8 Effective Date Limited List and need not File a request to be included thereon.

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DATED: May 4, 2007

**TRI-CITY MENTAL HEALTH CENTER, A
MUNICIPAL JOINT POWERS AUTHORITY**

By: 
 G. MICHAEL MILHISER
 ITS: EXECUTIVE DIRECTOR

**RESPECTFULLY PRESENTED BY:
 WESTON BENSHOOF
 ROCHEFORT RUBALCAVA & MACCUISH, LLP**

By: _____
 Dean G. Rallis Jr.
 Attorneys for Tri-City Mental Health Center,
 a Municipal Joint Powers Authority

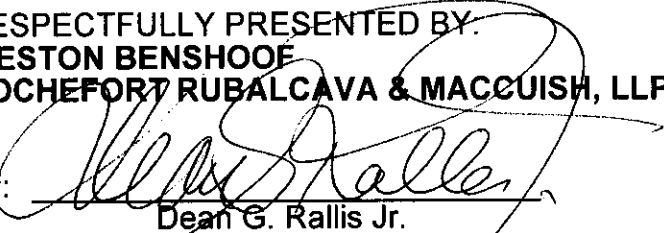
1 Post-Effective Date Limited Notice List and include thereon its name, contact person,
2 address, telephone number, facsimile number and email address, within thirty (30) days
3 after the Effective Date, and (2) concurrently serve a copy of its request to be included on
4 the Post-Effective Date Limited Notice List on the Debtor and its counsel. On or before
5 sixty (60) days after the Effective Date, the Debtor shall compile a list of all Persons on
6 the Post-Effective Date Limited Notice List and File such list with the Bankruptcy Court.
7 The U.S. Trustee and the Debtor's counsel shall be automatically included on the Post-
8 Effective Date Limited List and need not File a request to be included thereon.

9
10 DATED: May ____, 2007

**TRI-CITY MENTAL HEALTH CENTER, A
MUNICIPAL JOINT POWERS AUTHORITY**

11
12
13 By: _____
14 G. MICHAEL MILHISER
ITS: EXECUTIVE DIRECTOR

15 RESPECTFULLY PRESENTED BY:
16 **WESTON BENSHOOF**
17 **ROCHEFORT RUBALCAVA & MACCUISH, LLP**

18 By: 
19 Dean G. Rallis Jr.
Attorneys for Tri-City Mental Health Center,
a Municipal Joint Powers Authority

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PLAN

EXHIBIT 1

**THE FOLLOWING PROJECTIONS ARE IN DRAFT FORM AND HAVE NOT
YET BEEN REVIEWED BY THE GOVERNING BOARD OF TRI-CITY
MENTAL HEALTH CENTER. ACCORDINGLY, THESE PROJECTIONS MAY
BE SUBJECT TO FURTHER CHANGES.**

**THE FOLLOWING PROJECTIONS ARE PREMISED ON AND SUBJECT
TO A CONTRACT BETWEEN AND AMONG THE FOLLOWING:
COUNTY OF LOS ANGELES, DEPARTMENT OF MENTAL HEALTH,
STATE OF CALIFORNIA, DEPARTMENT OF MENTAL HEALTH, AND
TRI-CITY MENTAL HEALTH CENTER**

TRI-CITY MENTAL HEALTH CENTER
 PROJECTED CHANGE IN NET ASSETS-- WITH LAC CONTRACT BEGINNING 7/1/06
 FOUR YEARS ENDING JUNE 2010

	FY 2006-2007 QUARTERS					Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
	1ST QRT	2ND QRT	3RD QRT	4TH QRT	(Note)				
REVENUES:									
Program Funding									
Medi-Cal-Federal Adults	967,586	207,791	207,791	207,791	831,164	839,476	847,870	856,349	12.3%
Medi-Cal-Federal Children & Youth	631,044	203,303	203,303	203,303	813,210	821,342	829,556	837,851	12.1%
State General Funds-EPSDT-beginning 7/1/06	-	89,710	176,785	176,785	443,279	450,351	457,493	464,706	6.7%
Realignment Funding Allocation:									
Medi-Cal-SGF- Adults	568,166	128,897	128,897	128,897	515,587	520,743	525,951	531,210	7.6%
Medi-Cal-SGF- Children & Youth (Baseline)	548,733	176,785	87,075	-	263,860	263,860	263,860	263,860	3.8%
Indigent	487,836	109,082	109,082	109,082	436,327	440,698	440,698	440,698	6.3%
Administrative	2,366,906	585,237	674,946	762,021	2,784,225	2,774,699	2,769,491	2,764,232	39.8%
AB2034-State	916,800	229,200	229,200	229,200	916,800	916,800	916,800	916,800	13.2%
Prop 63 Funding	-	115,000	50,000	50,000	165,000	85,000	-	-	0.0%
Local Share	77,279	8,044	21,838	36,399	74,323	74,236	74,236	74,236	1.1%
Other revenues	11,969	1,668	1,668	1,668	6,671	6,706	6,764	6,852	0.1%
Patient fees	94,071	21,107	17,590	14,072	70,358	25,000	15,000	5,000	0.1%
Interest income	235,563	(41,109)	(50,080)	(58,788)	(208,765)	(211,117)	(213,492)	(215,891)	-3.1%
Estimated Medi-Cal denials/ disallowance									
TOTAL NET REVENUES	6,905,954	1,707,223	1,914,385	1,860,428	7,112,040	7,007,793	6,934,227	6,945,904	100.0%
EXPENSES									
Direct Operating Expenses									
Salaries	2,350,611	617,622	617,622	617,622	2,470,490	2,556,957	2,646,450	2,739,076	38.4%
Salaries	441,915	196,404	196,404	196,404	785,616	813,112	841,571	871,026	12.5%
Benefits	2,792,526	814,026	814,026	814,026	3,256,105	3,370,069	3,488,021	3,610,102	52.0%
Housing/Placement costs	169,764	48,875	48,875	48,875	195,500	199,970	204,546	209,231	3.0%
AB2034, including client exp	169,764	48,875	48,875	48,875	195,500	199,970	204,546	209,231	3.0%
Other direct operating expenses	270,169	83,591	83,591	83,591	307,978	218,630	226,261	235,457	3.4%
Supplies/services	177,799	42,961	52,131	44,489	184,071	185,616	191,744	198,393	2.8%
Facility costs	152,296	15,272	16,029	15,398	62,098	62,599	64,477	66,412	2.9%
Equipment	186,497	29,752	32,586	34,980	134,543	166,766	143,242	123,951	1.8%
Depreciation expense	208,517	53,621	53,621	53,621	214,484	216,628	218,795	220,983	3.2%
Allocated Administrative Cost of FFP Match	995,278	225,197	237,957	219,768	903,173	850,240	844,519	845,195	12.2%
Total Program Costs	3,957,568	1,088,099	1,100,859	1,082,670	4,354,778	4,420,279	4,537,087	4,664,529	67.2%

TRICITY MENTAL HEALTH CENTER
 PROJECTED CHANGE IN NET ASSETS-- WITH LAC CONTRACT BEGINNING 7/1/06
 FOUR YEARS ENDING JUNE 2010

	FY 2006-2007 QUARTERS				Fiscal Year: (Note) 2006-2007	Fiscal Year: (Note) 2007-2008	Fiscal Year: (Note) 2008-2009	Fiscal Year: (Note) 2009-2010
	1ST QRT	2ND QRT	3RD QRT	4TH QRT				
Administrative Costs								
Salaries	88,836	92,461	119,133	170,671	471,099	920,233	966,672	1,000,506
Benefits	28,250	29,402	37,884	54,273	149,810	292,634	307,402	318,161
Professional fees	130,700	175,700	144,700	154,700	605,800	242,848	91,813	95,409
Legal fees	160,000	135,000	62,500	37,500	395,000	65,000	60,000	60,000
Audit fees/Bank fees	13,750	13,750	13,750	13,750	55,000	55,000	58,045	59,636
Directors and Officers Insurance	6,250	6,250	6,250	6,250	25,000	25,750	26,523	27,318
Facility costs	12,860	3,889	11,331	11,331	39,212	44,677	46,152	47,752
Equipment costs	36,657	3,740	3,614	3,614	13,951	15,067	15,519	15,985
Depreciation expense	44,889	7,161	7,843	8,960	32,384	40,140	34,478	29,834
All other supplies/services	115,447	15,459	13,020	12,683	56,822	18,140	19,742	20,544
Total Costs	1,574,103	482,539	420,601	473,732	1,844,077	1,720,989	1,626,345	1,675,146
Less Admin Costs allocated to programs	(208,517)	(53,621)	(53,621)	(53,621)	(214,484)	(216,628)	(218,795)	(220,983)
Net Administrative Costs	1,365,586	428,918	366,980	420,111	1,629,594	1,504,360	1,407,551	1,454,164
INCREASE (DECREASE) TO NET ASSETS	1,582,800	177,447	484,735	357,166	1,127,668	1,083,154	989,590	827,212
	22.8%	19.8%	22.9%	15.8%	25.9%	15.5%	14.3%	11.9%
	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.1%)	(3.2%)	(3.2%)

Note: The percentages reflected are based on Total Net Revenues

TRI-CITY MENTAL HEALTH CENTER
 PROJECTED CASH FLOW--WITH LAC CONTRACT BEGINNING 7/1/06
 FOUR YEARS ENDING JUNE 2010

CASH FLOW FROM OPERATIONS

Operating Cash Flow Increase (Decrease)
 Net Income (Loss) from operations
 Add back non cash expenses:
 Depreciation
 Changes in current assets and liabilities:
 (Increase) decrease in A/R
 Increase (decrease) in accounts payable
 Increase (decrease) in accrued liabilities
 Increase (decrease) in reserve for
 Medi-Cal settlements
 Estimated collection on 2005-06 FFP

Cash Flow From Operations

CASH FLOW FROM INVESTING ACTIVITIES

Building and Leasehold Improvements
 Replacement of office furniture and equipment
 IT systems and hardware
 Purchase of vehicles

Cash Flow From Investing Activities

CASH FLOW FROM FINANCING ACTIVITIES

Payment of mortgage debt

NET CHANGE IN CASH

CASH BEGINNING BALANCE
 CASH ENDING BALANCE

RESERVE FUND
 NET CASH AVAILABLE FROM OPERATIONS
 NET REALIGNMENT FUNDS AVAILABLE

	FY 2006-2007 QUARTERS				Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
	1ST QRT	2ND QRT	3RD QRT	4TH QRT				
\$	128,321	\$ 177,447	\$ 464,735	\$ 357,166	\$ 1,127,669	\$ 1,083,153	\$ 989,590	\$ 827,212
	36,914	40,429	43,399	46,185	166,926	206,905	177,720	153,785
(542,068)	(422,646)	(532,388)	687,192	(809,910)	(190,005)	(21,375)	(21,589)	(21,589)
1,199	1,211	1,223	12,357	15,991	13,593	14,952	16,447	16,447
3,752	(3,665)	(9,231)	(24,283)	(33,427)	(7,761)	(7,723)	(7,723)	3,880
-	-	200,000	(300,000)	(300,000)	(219,842)	-	-	-
		900,000	900,000	1,100,000	300,000	-	-	-
(371,882)	(207,224)	167,738	1,678,616	1,267,249	1,186,043	1,153,163	979,735	
(5,000)	(10,000)	(5,000)	(5,000)	(20,000)	(15,000)	(15,000)	(15,000)	(15,000)
	(10,000)	(5,000)	(25,000)	(45,000)	(25,000)	(15,000)	(15,000)	(15,000)
	(15,000)	(39,000)	(27,000)	(81,000)	(41,000)	-	-	-
	(60,000)	-	-	(60,000)	-	-	-	-
(5,000)	(95,000)	(49,000)	(57,000)	(206,000)	(81,000)	(30,000)	(30,000)	(30,000)
(3,750)	(3,750)	(3,750)	(3,750)	(15,000)	(16,200)	(17,400)	(18,600)	(18,600)
(3,750)	(3,750)	(3,750)	(3,750)	(15,000)	(16,200)	(17,400)	(18,600)	(18,600)
\$ (380,632)	\$ (305,974)	\$ 114,988	\$ 1,617,866	\$ 1,046,249	\$ 1,088,843	\$ 1,105,763	\$ 931,135	
5,387,800	5,007,168	4,701,194	4,816,183	5,387,860	6,434,109	7,522,951	8,628,715	8,628,715
5,007,168	4,701,194	4,816,183	6,434,049	6,434,109	7,522,951	8,628,715	9,559,850	9,559,850
1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
3,507,168	3,201,194	3,316,183	4,934,049	4,934,109	6,022,951	7,128,715	8,059,850	8,059,850
3,471,116	3,131,456	3,209,082	4,789,575	4,789,575	5,731,519	6,715,094	7,550,611	7,550,611

TRI-CITY MENTAL HEALTH CENTER
NET REALIGNMENT FUNDS--WITH LAC CONTRACT BEGINNING 7/1/06
FOUR YEARS ENDING JUNE 2010

	FY 2006-2007 QUARTERS				Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
	1ST QRT	2ND QRT	3RD QRT	4TH QRT				
PROJECTED TRI CITY REALIGNMENT FUNDS	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	4,000,000	4,000,000	4,000,000
FUNDS USED BY PROGRAMS								
Original Allocation to Programs A								
Children-O/P	195,199	105,489	18,414	18,414	337,516	338,260	338,260	338,260
Adult O/P	219,565	219,565	219,565	219,565	878,259	887,041	892,249	897,508
	414,763	325,054	237,979	237,979	1,215,775	1,225,301	1,230,509	1,235,768
Program Income (Loss) B								
Children-O/P	(76,240)	(90,766)	(91,577)	(91,793)	(350,376)	(369,685)	(404,884)	(444,569)
Adult O/P	(24,252)	(29,091)	(8,681)	5,604	(56,420)	(74,397)	(104,655)	(138,906)
	(100,492)	(119,857)	(100,257)	(86,189)	(406,796)	(444,083)	(509,539)	(583,475)
Reallocation of Realignment Funds =A- B								
Children-O/P	271,439	196,255	109,991	110,207	687,892	707,945	743,144	782,829
Adult O/P	243,817	248,656	228,245	213,960	934,678	961,439	996,904	1,036,414
TOTAL REALIGNMENT TO PROGRAMS	515,256	444,911	338,236	324,168	1,622,570	1,669,384	1,740,048	1,819,243
FUNDS USED BY ADMINISTRATION								
Original Allocation to Administration C	585,237	674,946	762,021	762,021	2,784,225	2,774,699	2,769,491	2,764,232
Reallocation of Program Funding D =B	(100,492)	(119,857)	(100,257)	(86,189)	(406,796)	(444,083)	(509,539)	(583,475)
Reallocation of Admin Funding =C+D	484,744	555,089	661,764	675,832	2,377,430	2,330,616	2,259,952	2,180,757
Admin costs net of interest income and MHPA funding	392,477	411,328	234,391	356,040	1,394,236	1,394,360	1,392,551	1,449,164
Realignment Funds Remaining	92,267	143,761	427,373	319,793	983,194	936,256	867,401	731,593
AB2034 Funds used for matching vs Realignment	-	-	-	-	-	-	-	-
Total Realignment funds available	92,267	143,761	427,373	319,793	983,194	936,256	867,401	731,593
PROJECTED INCOME (LOSS)	128,320	177,447	464,735	357,166	1,127,668	1,083,154	989,590	827,212
Difference (AB2034 program) E	(36,053)	(33,686)	(37,362)	(37,373)	(144,473)	(146,899)	(122,188)	(95,619)
PROJECTED CHANGE IN CASH F	(380,632)	(305,974)	114,988	1,617,866	1,046,249	1,088,843	1,105,763	931,135
Change in Cash Adjusted for Realigr =E+F	(416,684)	(339,660)	77,627	1,580,493	901,775	941,944	983,575	835,517
CASH AT BEGINNING OF PERIOD G	5,387,800	5,007,168	4,701,194	4,816,183	5,387,860	6,434,109	7,522,951	8,628,715
PROJECTED CASH AT END OF PERI =F+G	5,007,168	4,701,194	4,816,183	6,434,049	6,434,109	7,522,951	8,628,715	9,559,850
REALIGNMENT CASH AT BEG PERIC H	5,387,800	4,971,116	4,631,456	4,709,082	5,387,800	6,289,575	7,231,519	8,215,094
REALIGNMENT CASH AT END PERIK =E+F+H	4,971,116	4,631,456	4,709,082	6,289,575	6,289,575	7,231,519	8,215,094	9,050,611
RESERVE FUND	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
NET CASH AVAILABLE FROM OPERATIONS	3,507,168	3,201,194	3,316,183	4,934,049	4,934,109	6,022,951	7,128,715	8,059,850
NET REALIGNMENT FUNDS AVAILABLE	3,471,116	3,131,456	3,209,082	4,789,575	4,789,575	5,731,519	6,715,094	7,550,611
Payment of Debt from Realignment Funds								
Beginning Available					4,789,575	89,575	31,519	15,094
Change in cash during period						941,944	983,575	835,517
Payment					4,700,000	1,000,000	1,000,000	800,000
Ending Cash Available					89,575	31,519	15,094	50,611
Total Payments Through June 2010								7,500,000
Total Bankruptcy Debt (less Zion's & Pomona)							51.0%	14,682,167
Total Bankruptcy Debt (less Zion's, Pomona & off setting AR)							56.7%	13,219,345
Estimated Cash Withheld from State under new contract								
FFP and EPSDT Payments through LAC	411,094	500,803	587,878	587,878	2,087,653	2,111,169	2,134,919	2,158,907
State withhold at 10%	41,109	50,080	58,788	58,788	208,765	211,117	213,482	215,891

**TRI-CITY MENTAL HEALTH CENTER
PROJECTIONS FOR THE FOUR YEARS ENDING JUNE 30, 2010
ASSUMPTIONS**

GENERAL COMMENT

The consolidated projections presented herein are based on Management's best estimates and are subject to change. Such projections do not include any service programs or fundings that may result from the Mental Health Services Act (MHSA) passed in November 2004. In addition, these projections do not include any possible outcome of the bankruptcy filing, and, therefore, the projected cash flows do not include any amounts for the payment of bankruptcy debt or the deletion of debt that has been settled subject to final determination of the courts.

INCOME PROJECTIONS

REVENUES

Revenues were projected based on existing specific program funding from the Realignment, the AB2034 program, and City Share Funding. In addition, these projections are also based on the presumption that Tri-City would have a contract with Los Angeles County to pass through the funding of Medi-Cal services from Federal Financial Participation (FFP) and the State General Fund for children services that qualify as EPSDT services. These revenues are estimated based on the expected productivity of care providers employed or to be hired.

Specific Funding Programs:

1. REALIGNMENT—estimated at \$4,000,000 based on prior year's funding before growth adjustments. It is projected that the annual realignment funds will be used as follows:

Description	Actual FY 2005-06	FY 2006- 07	FY 2007- 08	FY 2008- 09	FY 2009- 10
SD/MC Matching	28.1%	19.5%	19.6%	19.7%	19.9%
Coverage of FFP	32.2%	--	--	--	--
Indigent Care	12.3%	10.9%	11.0%	11.0%	11.0%
Program Losses	0.0%	10.2%	11.1%	12.7%	14.6%
Administrative Costs	27.4%	34.9%	34.9%	34.9%	36.2%
Remaining Available	0.0%	24.6%	23.4%	21.7%	18.3%
Total Allocation	100.0%	100.0%	100.0%	100.0%	100.0%

Realignment is the only source for Pre-Petition debt pay down.

2. AB2034—Funding of \$916,800 is based on 2006-2007 State allocation of \$916,800 per year.
3. EPSDT FUNDING FROM STATE GENERAL FUND—estimated based on required FFP match for children and youth programs, less the required Realignment Baseline of \$263,860 (50% of gross baseline).

4. MHSA (Prop 63) Funding—\$165,000 in 2007 and \$85,000 in 2008 (total of \$250,000) is based on the anticipated amount to be received by Tri-City for the MHSA plan. Additional funds for future services to be provided through the MHSA plan are not included in this projection as Tri-City has just started this process and is currently in the “Plan to Plan” phase to obtain the \$250,000 planning funds.

Productivity:

1. Medi-Cal FFP for the children outpatient programs was based on Tri-City’s estimated SD/MC unit productivity by program clinicians multiplied by the Company’s current cost per unit. The related charges/costs are assumed to be covered at 50% by Federal funds (FFP) with the balance covered by Baseline Realignment and EPSDT State General Funds.

2. Medi-Cal FFP for the adult outpatient program was based on Tri-City’s estimated SD/MC unit productivity by program clinicians multiplied by the Company’s current cost per unit. The related charges/costs are assumed to be covered 50% by Federal funds (FFP) with the remaining 50% to be covered by Realignment.

3. Medi-Cal FFP for the AB2034 program was based on Tri-City’s estimated SD/MC unit productivity by program clinicians multiplied by the Company’s current cost per unit. 50% of the related charges/costs are assumed to be covered by Federal funds (FFP). The remaining charges are covered by the AB2034 specific funding allocation of \$916,800.

4. Indigent Care for all of the programs is covered by Realignment, AB2034 funding and City Share Funding.

5. City Share Funding is based on the “Local Realignment Maintenance of Effort Funds (SB681)” required for Tri-City and is based on the prior years City Share Funding.

Medi-Cal Denials/Disallowances: This allowance represents 10% of Medi-Cal costs billed.

DIRECT OPERATING EXPENSES

Salaries and Benefits:

1. Salaries were projected based on the Company’s actual current employee roster (July 1, 2006) for each program. The roster includes recently vacated positions that the agency anticipates to fill in 2006-07.

2. The projection includes an estimated inflationary salary increase of approximately 3.5% per year through FYE 2010.

4. Benefits were calculated at 31.8% of salaries based on prior years’ expenses adjusted for anticipated increases.

5. Workers’ compensation insurance expense included in benefits reflects the Company’s new insurance policy premium coming into effect for the 2006-07 year. Past years included Tri-City’s actual costs paid by its self-insurance program.

Housing/Placement Costs:

Housing and placement costs include the following line items:

1. AB2034 Rent—this represents management’s estimate of required housing for AB clients.

2. AB2034 Client Expense—reflects costs related specifically to this indigent program.

Other Direct Operating Costs:

Other direct operating costs include the following line items:

1. Supplies and services—this amount reflects the estimated portion of supply and service costs that the programs utilize. This amount is an allocation of the total Tri-City projected costs and is based on a percentage of program salaries.

2. Facility costs—this amount reflects the anticipated plant and building costs of Tri-City operations. The projected costs include the mortgage interest expense on the building owned at 2008 Garey and existing rental space for file storage. These projected costs are allocated based on the percentage of the square footage of the Garey building currently occupied by each program.

3. Equipment costs—this amount reflects the anticipated equipment costs, such as equipment rentals, leases, repairs and non-capital equipment purchases. These costs were allocated to direct program costs based on the percentage of the square footage of the Garey building currently occupied by each program.

4. Depreciation expense—represents the depreciation of Tri-City's capitalized building and equipment costs. These costs are allocated to the programs based on the percentage of the square footage of the Garey building currently occupied by each program. Depreciation is projected to increase with the purchase of additional equipment.

5. Administrative cost allocations—are based on the allowable percentage of revenues that can cover administrative costs. The line identified as "Allocated Administrative Cost of FFP Match" represents 15 percent of federal Medi-Cal matching funds that are allowed in the Medi-Cal program and are reimbursable costs under the Medi-Cal cost reports.

ADMINISTRATIVE COSTS

Salaries and Benefits:

These costs represent administrative salaries and benefits that were projected based on the same criteria noted above for direct salary expense. These personnel costs include the following functions:

- Administrative (Executive Director, Chief Financial Officer, Director of Operations)
- Quality Assurance
- Information Systems
- Human Resources
- Accounting

Administrative salaries for the Executive Director and the Chief Financial Officer are not included in the fiscal year 2006-07 as these positions are currently contracted out and reflected in professional fees. It is anticipated that the permanent Executive Director and Chief Financial Officer will be hired and reflected in salaries when Tri-City emerges from bankruptcy in 2007-08.

Professional, Legal and Audit Fees:

Professional fees, including legal and audit, for YE 2007 include the high costs of the Company's bankruptcy filing and related financial issues as well as the outside audit of the Agency's financial statements. It is anticipated that costs relating to the bankruptcy will curtail by end of fiscal 2007. In addition, these costs include \$165,000 in 2007 and \$85,000 in 2008 (total of \$250,000) expected to be incurred for the MHSA planning process.

Facility and Equipment Costs:

These costs were allocated based on the percentage of square footage of the Garey building currently occupied by administration.

Depreciation Expense:

This expense was allocated based on the percentage of square footage of the Garey building currently occupied by administration.

All Other Supplies/Services:

These costs represent the supplies and services utilized by the administrative departments.

CASH FLOW PROJECTIONS

The cash flow projections are based on operating activities, investing activities and financing activities.

Cash Flow from Operating Activities:

This section reflects the increases or decreases in cash flow resulting from operating activity. Such activity includes net income or loss (change in net assets), adjusted for depreciation expense and changes in current assets and liabilities. The change in accounts receivable for 2006-07 reflects the increase in outstanding Medi-Cal billings as a result of the suspension of Medi-Cal payments of FFP. It is projected that payments for Tri-City's services provided in 2006-07 will be made beginning in the fourth quarter of 2007 as a result of Tri-City's contract with Los Angeles County. Tri-City anticipates that any post-petition overpayments from Medi-Cal will be settled when FFP payments are resumed. Payment of post-petition overpayments are reflected on the line "Increase (decrease) in Reserve for Medi-Cal Settlements". In addition, it is anticipated that Tri-City will also collect the outstanding Medi-Cal receivables billed for services provided in 2005-06 of approximately \$1.4 million as a result of the LAC contract. This funding is reflected as "Estimated collection on 2005-06 FFP". Payment of estimated Medi-Cal settlements for post-petition activity are projected to occur

Cash Flow from Investing Activities:

This section reflects any anticipated use of funds for investing in property and equipment. Tri-City has included the cost of completing the upgrade to its IT systems. IT costs include software upgrades and acquisition of computer hardware. In addition, the projections include costs for office equipment replacement and the replacement of vehicles used for transportation of clients.

Cash Flow from Financing Activities:

This section represents the payment of the mortgage loan on the property at 2008 Garey.

Net Change in Cash:

Net change in cash is the result of the total cash flow activities for the specific period reported.

Cash Ending Balance:

The cash ending balance is equal to the cash at the beginning of the period plus or minus the net change in cash for the current period.

Agency Cash Reserve Fund

In order to meet all of its operating commitments, the Agency has determined that it should have on hand approximately \$1.5 million in cash reserves to cover approximately three to four months of operating costs.

Net Realignment Funds Available

This amount represents the remaining Realignment funds that are available for payment of bankruptcy debt.

**THE FOLLOWING PROJECTIONS ARE PREMISED ON THE
ABSENCE OF A CONTRACT WITH THE COUNTY OF LOS ANGELES,
DEPARTMENT OF MENTAL HEALTH AND TRI-CITY MENTAL
HEALTH CENTER**

TRI-CITY MENTAL HEALTH CENTER
 PROJECTED CHANGE IN NET ASSETS-- WITHOUT LAC CONTRACT OR FFP
 FOUR YEARS ENDING JUNE 2010

	FY 2006-2007 QUARTERS					Fiscal Year (Note) 2006-2007	Fiscal Year (Note) 2007-2008	Fiscal Year (Note) 2008-2009	Fiscal Year (Note) 2009-2010
	1ST QRT	2ND QRT	3RD QRT	4TH QRT					
REVENUES:									
Program Funding									
Medi-Cal-Federal Adults	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Medi-Cal-Federal Children & Youth	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
State General Funds-EPSTD-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Realignment Funding Allocation:									
Medi-Cal-SGF- Adults	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Medi-Cal-SGF- Children & Youth (Baseline)	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Indigent	564,128	564,128	564,128	564,128	2,256,514	43.0%	44.5%	45.3%	45.4%
Administrative	435,872	435,872	435,872	435,872	1,743,486	33.2%	33.8%	34.2%	34.3%
AB2034-State	229,200	229,200	229,200	229,200	916,800	17.5%	17.9%	18.2%	18.3%
Prop 63 Funding	-	-	-	-	115,000	3.1%	1.7%	0.0%	0.0%
Local Share	8,100	8,100	21,838	36,399	74,436	1.4%	1.5%	1.6%	1.6%
Other revenues	4,461	4,461	4,461	4,461	17,843	0.3%	0.3%	0.4%	0.4%
Patient fees	21,107	17,590	17,590	14,072	70,358	1.3%	0.5%	0.3%	0.1%
Interest income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Estimated Medi-Cal denials/ disallowance	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
TOTAL NET REVENUES	1,262,868	1,259,350	1,388,088	1,334,131	5,244,437	100.0%	100.0%	100.0%	100.0%
EXPENSES									
Direct Operating Expenses									
Salaries	509,531	509,531	509,531	509,531	2,038,124	38.9%	40.6%	42.2%	42.3%
Benefits	162,031	162,031	162,031	162,031	648,123	12.4%	12.9%	13.4%	13.4%
# FTE's	37.7	37.7	37.7	37.7	149.1	51.2%	53.9%	55.6%	55.7%
Housing/Placement costs	48,875	48,875	48,875	48,875	195,500	3.7%	3.9%	4.1%	4.2%
AB2034, including client exp	48,875	48,875	48,875	48,875	195,500	3.7%	3.9%	4.1%	4.2%
Other direct operating expenses									
Supplies/services	79,914	79,914	55,479	53,709	269,016	5.1%	4.1%	4.3%	4.5%
Facility costs	43,035	52,235	44,568	44,568	184,405	3.5%	3.6%	3.8%	4.0%
Equipment	14,656	15,415	14,782	14,782	59,635	1.1%	1.2%	1.2%	1.3%
Depreciation expense	29,752	28,119	29,855	29,413	117,140	2.2%	2.5%	2.1%	2.0%
Allocated Administrative Cost of FFP Match	167,357	175,683	144,684	142,473	630,196	12.0%	11.4%	11.4%	11.7%
Total Program Costs	887,793	896,119	865,121	862,910	3,511,944	67.0%	68.8%	71.1%	71.6%

TRICITY MENTAL HEALTH CENTER
 PROJECTED CHANGE IN NET ASSETS-- WITHOUT LAC CONTRACT OR FFP
 FOUR YEARS ENDING JUNE 2010

	FY 2006-2007 QUARTERS				Fiscal Year				(Note)
	1ST QRT	2ND QRT	3RD QRT	4TH QRT	2006-2007	2007-2008	2008-2009	2009-2010	
Administrative Costs									
Salaries	88,836	92,461	99,711	99,711	380,717	653,069	680,156	680,156	13.6%
Benefits	28,250	29,402	31,708	31,708	121,068	207,676	216,289	216,289	4.3%
Professional fees	130,700	175,700	139,700	129,700	575,800	227,848	91,813	95,409	1.8%
Legal fees	135,000	135,000	52,500	27,500	350,000	65,000	60,000	60,000	1.2%
Audit fees/Bank fees	13,750	13,750	13,750	13,750	55,000	56,500	58,045	59,636	1.2%
Directors and Officers Insurance	6,250	6,250	6,250	6,250	25,000	25,750	26,523	27,318	0.6%
Facility costs	12,786	3,586	11,253	11,253	38,878	44,677	46,152	47,752	1.0%
Equipment costs	3,606	2,848	3,480	3,480	13,414	14,474	14,908	15,355	0.3%
Depreciation expense	7,161	6,768	7,186	7,060	28,195	30,808	25,146	23,575	0.5%
All other supplies/services	19,336	19,136	5,121	4,790	48,384	24,746	29,750	29,169	0.6%
Total Costs (Note 2)	445,675	484,901	370,658	335,221	1,636,455	1,350,548	1,248,782	1,254,660	25.0%
Less Admin Costs allocated to programs	-	-	-	-	1,636,455	1,350,548	1,248,782	1,254,660	0.0%
Net Administrative Costs (Note 2)	445,675	484,901	370,658	335,221	1,636,455	1,350,548	1,248,782	1,254,660	25.0%
INCREASE (DECREASE) TO NET ASSETS	(70,601)	(121,670)	152,309	135,999	96,038	246,642	205,432	172,363	3.4%

Notes:
 The percentages reflected are based on Total Net Revenues

0

TRI-CITY MENTAL HEALTH CENTER
 PROJECTED CASH FLOW--WITHOUT LAC CONTRACT OR FFP
 FOUR YEARS ENDING JUNE 2010

CASH FLOW FROM OPERATIONS

Operating Cash Flow Increase (Decrease)
 Net Income (Loss) from operations \$ 172,363
 Add back non cash expenses:
 Depreciation 121,518
 Changes in current assets and liabilities:
 (Increase) decrease in A/R -
 Increase (decrease) in accounts payable (1,324)
 Increase (decrease) in accrued liabilities (4,143)

Cash Flow From Operations 288,414

CASH FLOW FROM INVESTING ACTIVITIES

Building and Improvements (15,000)
 Replacement of office equipment (15,000)
 IT systems and hardware (25,000)
 Purchase of vehicles (13,000)

Cash Flow From Investing Activities (53,000)

CASH FLOW FROM FINANCING ACTIVITIES

Payment of mortgage debt (17,400)

76

NET CHANGE IN CASH

CASH BEGINNING BALANCE 5,314,004
 CASH ENDING BALANCE 5,649,196

RESERVE FUND

NET CASH AVAILABLE FROM OPERATIONS 1,500,000
 NET REALIGNMENT FUNDS AVAILABLE 4,149,196

	FY 2006-2007 QUARTERS				Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	1ST QRT	2ND QRT	3RD QRT	4TH QRT	2006-2007	2007-2008	2008-2009	2009-2010
	\$ (70,600)	\$ (121,670)	\$ 152,309	\$ 135,999	\$ 96,039	\$ 246,641	\$ 205,432	\$ 172,363
	36,914	34,887	37,041	36,493	145,335	158,805	129,620	121,518
	(172,140)	28,020	(3,298)	1,578	(145,840)	-	-	-
	1,199	1,211	2,447	2,496	7,353	2,546	2,597	(1,324)
	3,752	3,790	(7,764)	(15,321)	(15,543)	(3,600)	(3,441)	(4,143)
	(200,874)	(53,761)	180,735	161,245	87,344	404,392	334,209	288,414
	(5,000)	(5,000)	(5,000)	(5,000)	(15,000)	(15,000)	(15,000)	(15,000)
	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	(25,000)	(15,000)	(15,000)
	(15,000)	(29,200)	(7,000)	(7,000)	(51,200)	(13,000)	-	-
	(60,000)	-	-	-	(60,000)	-	-	-
	(5,000)	(85,000)	(39,200)	(17,000)	(146,200)	(53,000)	(30,000)	(30,000)
	(3,750)	(3,750)	(3,750)	(3,750)	(15,000)	(16,200)	(17,400)	(18,600)
	(3,750)	(3,750)	(3,750)	(3,750)	(15,000)	(16,200)	(17,400)	(18,600)
	\$ (209,624)	\$ (142,511)	\$ 137,785	\$ 140,495	\$ (73,856)	\$ 335,192	\$ 286,809	\$ 239,814
	5,387,800	5,178,176	5,035,665	5,173,449	5,387,860	5,314,004	5,649,196	5,936,004
	5,178,176	5,035,665	5,173,449	5,313,944	5,314,004	5,649,196	5,936,004	6,175,818
	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
	3,678,176	3,535,665	3,673,449	3,813,944	3,814,004	4,149,196	4,436,004	4,675,818
	3,690,101	3,561,625	3,706,458	3,853,516	3,853,516	4,223,387	4,561,088	4,859,279

TRI-CITY MENTAL HEALTH CENTER
NET REALIGNMENT FUNDS WITHOUT LA COUNTY CONTRACT OR FFP
FOUR YEARS ENDING JUNE 2010

	FY 2006-2007 QUARTERS				Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
	1ST QRT	2ND QRT	3RD QRT	4TH QRT				
PROJECTED TRI CITY REALIGNMENT FUNDS	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	4,000,000	4,000,000	4,000,000
FUNDS USED BY PROGRAMS								
Original Allocation to Programs A								
Children-O/P	106,331	106,331	106,331	106,331	425,323	429,693	429,693	429,693
Adult O/P	457,798	457,798	457,798	457,798	1,831,191	1,849,503	1,849,503	1,849,503
	564,128	564,128	564,128	564,128	2,256,514	2,279,196	2,279,196	2,279,196
Program Income (Loss) B								
Children-O/P	(107,985)	(109,707)	(102,106)	(101,480)	(421,278)	(444,734)	(452,354)	(455,815)
Adult O/P	38,006	33,512	63,660	79,321	214,499	245,799	221,656	215,410
	(69,979)	(76,195)	(38,446)	(22,158)	(206,779)	(198,935)	(230,698)	(240,404)
Reallocation of Realignrment Funds =A- B								
Children-O/P	214,316	216,038	208,437	207,810	846,601	874,427	882,047	885,508
Adult O/P	419,792	424,285	394,138	378,476	1,516,692	1,603,704	1,627,847	1,634,092
TOTAL REALIGNMENT TO PROGRAMS	634,108	640,323	602,575	586,287	2,463,293	2,478,131	2,509,894	2,519,600
FUNDS USED BY ADMINISTRATION								
Original Allocation to Administration C	435,872	435,872	435,872	435,872	1,743,486	1,720,804	1,720,804	1,720,804
Reallocation of Program Funding D =B	(69,979)	(76,195)	(38,446)	(22,158)	(206,779)	(198,935)	(230,698)	(240,404)
Reallocation of Admin Funding =C+D	365,892	359,677	397,425	413,713	1,536,707	1,521,869	1,490,106	1,480,400
Net Admin Costs	424,568	467,311	238,069	271,150	1,401,097	1,240,548	1,233,782	1,249,660
Realignment Funds Remaining	(58,676)	(107,634)	159,357	142,563	135,610	281,321	256,324	230,740
AB2034 Funds used for matching vs Realignmen								
Total Realignrment funds available	(58,676)	(107,634)	159,357	142,563	135,610	281,321	256,324	230,740
PROJECTED INCOME (LOSS)	(70,601)	(121,670)	152,309	135,999	96,038	246,642	205,432	172,363
Difference E	11,925	14,036	7,048	6,564	39,572	34,679	50,892	58,377
PROJECTED CHANGE IN CASH F	(209,624)	(142,511)	137,785	140,495	(73,856)	335,192	286,809	239,814
Change in Cash Adjusted for Realignr =E+F	(197,699)	(128,476)	144,832	147,059	(34,284)	369,871	337,700	298,191
CASH AT BEGINNING OF PERIOD G	5,387,800	5,178,176	5,035,665	5,173,449	5,387,860	5,314,004	5,649,196	5,936,004
PROJECTED CASH AT END OF PERI =F+G	5,178,176	5,035,665	5,173,449	5,313,944	5,314,004	5,649,196	5,936,004	6,175,818
REALIGNMENT CASH AT BEG PERICH	5,387,800	5,190,101	5,061,625	5,206,458	5,387,800	5,353,516	5,723,387	6,061,088
REALIGNMENT CASH AT END PERIK =E+F+H	5,190,101	5,061,625	5,206,458	5,353,516	5,353,516	5,723,387	6,061,088	6,359,279
RESERVE FUND	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
NET CASH AVAILABLE FROM OPERATIONS	3,678,176	3,535,665	3,673,449	3,813,944	3,814,004	4,149,196	4,436,004	4,675,818
NET REALIGNMENT FUNDS	3,690,101	3,561,625	3,706,458	3,853,516	3,853,516	4,223,387	4,561,088	4,859,279
Payment of Debt from Realignrment Funds								
Beginning Available					3,814,004	14,004	49,196	36,004
Change in cash during period						335,192	286,809	239,814
Payment					3,800,000	300,000	300,000	200,000
Ending Cash Available					14,004	49,196	36,004	75,818
Total Payments Through June 2010								4,600,000
Total Bankruptcy Debt (less Zion's & Pomona)							31.3%	14,692,167
Total Bankruptcy Debt (less Zion's, Pomona & off setting AR)							34.8%	13,219,345

**TRI-CITY MENTAL HEALTH CENTER
PROJECTIONS FOR THE FOUR YEARS ENDING JUNE 30, 2010
ASSUMPTIONS**

GENERAL COMMENT

The consolidated projections presented herein are based on Management's best estimates and are subject to change. Such projections do not include any service programs or fundings that may result from the Mental Health Services Act (MHSA) passed in November 2004. In addition, these projections do not include any possible outcome of the bankruptcy filing, and, therefore, the projected cash flows do not include any amounts for the payment of bankruptcy debt or the deletion of debt that has been settled subject to final determination of the courts.

INCOME PROJECTIONS

REVENUES

Revenues were projected based on existing specific program funding from the Realignment, the AB2034 program, and City Share Funding. This projection excludes any funding that Tri-City received in the past for Medi-Cal services performed. The allocation of Realignment funds to indigent services are estimated based on the expected productivity of care providers employed.

Specific Funding Programs:

1. REALIGNMENT—estimated at \$4,000,000 based on prior year's funding before growth adjustments. It is projected that the annual realignment funds will be used as follows:

Description	Actual FY 2005-06	FY 2006- 07	FY 2007- 08	FY 2008- 09	FY 2009- 10
SD/MC Matching	28.1%	--	--	--	--
Coverage of FFP	32.2%	--	--	--	--
Indigent Care	12.3%	56.4%	57.0%	57.0%	57.0%
Program Losses	0.0%	5.2%	5.0%	5.8%	6.0%
Administrative Costs	27.4%	35.0%	31.0%	30.8%	31.2%
Remaining Available	0.0%	3.4%	7.0%	6.4%	5.8%
Total Allocation	100.0%	100.0%	100.0%	100.0%	100.0%

Realignment is the only source for Pre-Petition debt pay down.

2. AB2034—Funding of \$916,800 is based on 2006-2007 State allocation of \$916,800 per year.

3. MHSA (Prop 63) Funding—\$165,000 in 2007 and \$85,000 in 2008 (total of \$250,000) is based on the anticipated amount to be received by Tri-City for the MHSA plan. Additional funds for future services to be provided through the MHSA plan are not included in this projection as Tri-City has just started this process and is currently in the "Plan to Plan" phase to obtain the \$250,000 planning funds.

Productivity:

1. Indigent services for the children and adult outpatient programs was based on Tri-City's estimated unit productivity by program clinicians multiplied by the Company's current cost per unit. Since most children are covered by Medi-Cal, it is projected that the majority of indigent care will be focused on adult outpatient and AB2034 programs.

2. Indigent Care for all of the programs is covered by Realignment, AB2034 funding and City Share Funding.

5. City Share Funding is based on the "Local Realignment Maintenance of Effort Funds (SB681)" required for Tri-City and is based on the prior years City Share Funding.

DIRECT OPERATING EXPENSES

Salaries and Benefits:

1. Salaries were projected based on the Company's actual current employee roster (July 1, 2006) for each program. Due to reduced funding, currently vacated positions are not projected to be replaced.

2. The projection includes an estimated inflationary salary increase of approximately 2% per year through FYE 2009.

4. Benefits were calculated at 31.8% of salaries based on prior years' expenses adjusted for anticipated increases.

5. Workers' compensation insurance expense included in benefits reflects the Company's new insurance policy premium coming into effect for the 2006-07 year. Past years included Tri-City's actual costs paid by its self-insurance program.

Housing/Placement Costs:

Housing and placement costs include the following line items:

1. AB2034 Rent—this represents management's estimate of required housing for AB clients.

2. AB2034 Client Expense—reflects costs related specifically to this indigent program.

Other Direct Operating Costs:

Other direct operating costs include the following line items:

1. Supplies and services—this amount reflects the estimated portion of supply and service costs that the programs utilize. This amount is an allocation of the total Tri-City projected costs and is based on a percentage of program salaries.

2. Facility costs—this amount reflects the anticipated plant and building costs of Tri-City operations. The projected costs include the mortgage interest expense on the building owned at 2008 Garey and existing rental space for file storage. These projected costs are allocated based on the percentage of the square footage of the Garey building currently occupied by each program.

3. Equipment costs—this amount reflects the anticipated equipment costs, such as equipment rentals, leases, repairs and non-capital equipment purchases. These costs were allocated to direct program costs based on the percentage of the square footage of the Garey building currently occupied by each program.

4. Depreciation expense—represents the depreciation of Tri-City's capitalized building and equipment costs. These costs are allocated to the programs based on the percentage of the square footage of the Garey building currently occupied by each program. Depreciation is projected to increase with the purchase of additional equipment.

ADMINISTRATIVE COSTS

Salaries and Benefits:

These costs represent administrative salaries and benefits that were projected based on the same criteria noted above for direct salary expense. These personnel costs include the following functions:

- Administrative (Executive Director, Chief Financial Officer, Director of Operations)
- Quality Assurance
- Information Systems
- Human Resources
- Accounting

Administrative salaries for the Executive Director and the Chief Financial Officer are not included in the fiscal year 2006-07 as these positions are currently contracted out and reflected in professional fees. It is anticipated that the permanent Executive Director and Chief Financial Officer will be hired and reflected in salaries when Tri-City emerges from bankruptcy in 2007-08.

Professional, Legal and Audit Fees:

Professional fees, including legal and audit, for YE 2007 include the high costs of the Company's bankruptcy filing and related financial issues as well as the outside audit of the Agency's financial statements. It is anticipated that costs relating to the bankruptcy will curtail by end of fiscal 2007. In addition, these costs include \$165,000 in 2007 and \$85,000 in 2008 (total of \$250,000) expected to be incurred for the MHSA planning process.

Facility and Equipment Costs:

These costs were allocated based on the percentage of square footage of the Garey building currently occupied by administration.

Depreciation Expense:

This expense was allocated based on the percentage of square footage of the Garey building currently occupied by administration.

All Other Supplies/Services:

These costs represent the supplies and services utilized by the administrative departments.

CASH FLOW PROJECTIONS

The cash flow projections are based on operating activities, investing activities and financing activities.

Cash Flow from Operating Activities:

This section reflects the increases or decreases in cash flow resulting from operating activity. Such activity includes net income or loss (change in net assets), adjusted for depreciation expense and changes in current assets and liabilities. Although Tri-City has outstanding Medi-Cal billings of approximately \$1.4 million through FYE 2006, these projections do not include collection of these receivables since the mechanism for collection has not yet been established. It is management's opinion that the outstanding receivables will either be collected or offset against any outstanding Medi-Cal liabilities.

Cash Flow from Investing Activities:

This section reflects any anticipated use of funds for investing in property and equipment. Tri-City has included the cost of completing the upgrade to its IT systems. IT costs include software upgrades and acquisition of computer hardware. In addition, the projections include costs for office equipment replacement and the replacement of vehicles used for transportation of clients.

Cash Flow from Financing Activities:

This section represents the payment of the mortgage loan on the property at 2008 Garey.

Net Change in Cash:

Net change in cash is the result of the total cash flow activities for the specific period reported.

Cash Ending Balance:

The cash ending balance is equal to the cash at the beginning of the period plus or minus the net change in cash for the current period.

Agency Cash Reserve Fund

In order to meet all of its operating commitments, the Agency has determined that it should have on hand approximately \$1.5 million in cash reserves to cover approximately three to four months of operating costs.

Net Realignment Funds Available

This amount represents the remaining Realignment funds that are available for payment of bankruptcy debt.

PLAN

EXHIBIT 2

(TO BE SUBMITTED PRIOR TO CONFIRMATION HEARING)

PLAN EXHIBIT 3

SETTLEMENT AGREEMENT AND GENERAL
MUTUAL RELEASE

SETTLEMENT AGREEMENT AND GENERAL MUTUAL RELEASE

The parties to this Settlement Agreement and General Mutual Release are: Tri-City Mental Health Center, a municipal joint powers authority; Zions First National Bank, a national banking association; City of Pomona, a California public entity; City of La Verne, a California public entity; City of Claremont, a California public entity; M.R. Grant, a California corporation; Marguerie Grant; Terry Kramer; Gary Barnes; Luann Martenson; Jeffrey Allred; Paula Lantz; Marco Robles; Norma Torres; Jon Blickenstaff; Karen Rosenthal; Continental Casualty Company; and U.S. Specialty Insurance Company (collectively, "Parties").

WHEREAS, Tri-City Mental Health Center ("Debtor") filed its Chapter 9 petition on February 13, 2004 in the U.S. Bankruptcy Court for the Central District of California, No. LA 04-13167-BR ("Bankruptcy Court"); and

WHEREAS, the proceeding in the Bankruptcy Court involving the Debtor's Chapter 9 petition may hereinafter be referred to as the "Bankruptcy Proceeding"; and

WHEREAS, Zions First National Bank, N.A. ("Zions") has filed a Proof of Claim in the Bankruptcy Proceeding, No. LA 04-13167 BR, in the amount of \$3,898,318.87 alleging breach of contract (failure to repay Revenue Anticipate Note originally dated April 12, 2001) and alleging that the Debtor acted negligently in producing financial statements which did not comply with Generally Accepted Auditing Standards ("GAAS"), all as set forth more particularly in the Proof of Claim dated June 18, 2004 as amended on January 27, 2005 ("Zions' Proof of Claim"); and

WHEREAS, the Debtor has alleged that it has defenses to the Proof of Claim including defenses of immunity as well as additional claims against Zions including an alleged claim of fraudulent transfer; and

WHEREAS, Zions has filed a civil action in the U.S. District Court for the Central District of California captioned Zions First National Bank v. Tri-City Mental Health Authority, No. CV 03-9157 LGB (VBKx) ("District Court Action"); and

WHEREAS, in the District Court Action Zions asserted claims against the Debtor for breach of contract, anticipatory breach of contract and money lent, all as set forth more particularly in the Complaint on file with the District Court; and

WHEREAS, the Debtor has alleged that it has defenses to the Zions' claims in the District Court Action including the defense of immunity; and

WHEREAS, Zions has filed an adversary proceeding in the Bankruptcy Court captioned Zions First National Bank v. City of Pomona; City of La Verne; City of Claremont; Tri-City Mental Health Authority; M.R. Grant, Terry Kramer; Gary Barnes; Luann Martenson; Jeffrey Allred; Paula Lantz; Marco Robles; Norma Torres; Jon Blickenstaff; and Karen Rosenthal, Adv. No. AD04-02629 ("Adversary Proceeding"); and

WHEREAS, in the Adversary Proceeding Zions asserted claims against the City of Pomona, the City of LaVerne, the City of Claremont (collectively, "Cities"), as well as the Debtor, Terry Kramer (former Executive Director of Debtor), Gary Barnes (former CFO of the Debtor), Luann Martenson (former Executive Director of the Debtor), Jeffrey Allred, Paula Lantz, Marco Robles, Norma Torres, Jon Blickenstaff and Karen Rosenthal (current or former members of the Governing Body of the Debtor) (collectively, "Individuals"), for negligence in connection with the production of financial statements of the Debtor which Zions alleges did not comply with GAAS, all as set forth more particularly in the First and Second Claims for Relief in the Second Amended Adversary Complaint on file with the Bankruptcy Court ("Zions' Cities and Individuals Claims"); and

WHEREAS, the Cities and the Individuals have alleged that they have defenses to the Zions' Cities and Individuals Claims against them including defenses of immunity; and

WHEREAS, in the Adversary Proceeding Zions also asserted claims against M.R. Grant, former outside auditor of the Debtor, alleging claims of negligent misrepresentation/negligence in connection with the production of financial statements of the Debtor which Zions alleges did not comply with GAAS, all as set forth more particularly in the Third Claim for Relief in the Second Amended Adversary Complaint on file with the Bankruptcy Court ("Zions' M.R. Grant Claims"); and

WHEREAS, M.R. Grant has alleged that it has defenses to the Zions' M.R. Grant Claims; and

WHEREAS, the City of Pomona filed a civil action against M.R. Grant in the Superior Court for the County of Los Angeles, California ("County Court") captioned City of Pomona v. M.R. Grant, et al., No. KC045746, alleging negligent misrepresentation/negligence in connection with the production of financial statements of the Debtor which the City of Pomona claims did not comply with GAAS, all as set forth more particularly in the Complaint on file in the County Court ("Pomona's M.R. Grant Claims"); and

WHEREAS, M.R. Grant has alleged that it has defenses to Pomona's M.R. Grant Claims; and

WHEREAS, the City of Pomona has filed a Proof of Claim in the Bankruptcy Proceeding, No. LA 04-13167 BR, in the amount of \$800,000 alleging breach of contract by the Debtor ("Pomona's Proof of Claim"); and

WHEREAS, the Debtor alleges that it has claims against M.R. Grant for, among other things, professional negligence in connection with the production of financial statements of the Debtor ("Debtor's M.R. Grant Claims"); and

WHEREAS, M.R. Grant has alleged that it has defenses to the Debtor's M.R. Grant Claims; and

WHEREAS, the Debtor has maintained a policy of insurance with U.S. Specialty Insurance Company ("USSIC"), No. U703-30239, for which it has been asserted provides coverage on a "claims made" basis for certain of the claims asserted by Zions against the Debtor and the Individuals ("USSIC Policy"); and

WHEREAS, USSIC has denied coverage with respect to the Zions' Proof of Claim and the District Court action but has afforded a defense of the Debtor and the Individuals in the Adversary Proceeding subject to a full reservation of its rights, privileges and defenses under the USSIC Policy and at law and in equity; and

WHEREAS, M.R. Grant has maintained a policy of insurance with Continental Casualty Company ("CCC"), No. 188088475, for which it has been asserted provides coverage on a "claims made" basis for the claims asserted against M.R. Grant ("CCC Policy"); and

WHEREAS, CCC has afforded a defense of the claims asserted against M.R. Grant subject to a full reservation of its rights, privileges and defenses under the CCC Policy and at law and in equity; and

WHEREAS, all parties seek to resolve all claims each holds against each other by way of this Settlement Agreement and General Mutual Release;

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged by each party hereto, the Parties hereby agree to settle, compromise, release and

discharge all their actual or potential claims each may have against any of the other Parties as set forth herein.

i. Definitions

For purposes of this Agreement the following additional terms shall have the meanings set forth below.

- a. "Actions" shall mean the Bankruptcy Proceeding (including, but not limited to, Zions' Proof of Claim, Pomona's Proof of Claim and the Debtor's M.R. Grant Claims), the District Court Action, the Adversary Proceeding (including Zions' Cities and Individuals Claims, and Zions' M.R. Grant Claims) and Pomona's M.R. Grant Claims in County Court, collectively.
- b. "Agreement" shall mean this Settlement Agreement and General Mutual Release.
- c. "Assigned Claim" shall mean the balance of Zions' Proof of Claim after reduction as described in Section 7 hereinbelow.
- d. "Assignment" shall mean that certain assignment of claims by Zions to Pomona described herein.
- e. "Carrier" shall mean either CCC or USSIC; "Carriers" shall mean both CCC and USSIC, collectively.
- f. "Case" shall mean the pending Bankruptcy Proceeding.
- g. "City" shall mean one of Claremont, LaVerne or Pomona.
- h. "Claremont" shall mean the City of Claremont, California.
- i. "Court" shall mean the Bankruptcy Court.
- j. "Escrow Account" shall mean that certain interest bearing deposit account located at Zions First National Bank, Account Number 696600-183.
- k. "Individual" shall mean any one of Terry Kramer (former Executive Director of Debtor), Gary Barnes (former CFO of the Debtor), Luann Martenson (former Executive Director

of the Debtor), Jeffrey Allred, Paula Lantz, Marco Robles, Norma Torres, Jon Blickenstaff and Karen Rosenthal (current or former members of the Governing Body of the Debtor).

l. "LaVerne" shall mean the City of LaVerne, California.

m. "Motion to Approve" shall mean that certain motion to be filed with the Court seeking approval of this Agreement and the Assignment as described in Section 8 hereinbelow.

n. "Policies" shall mean the USSIC Policy and the CCC Policy, collectively.

o. "Pomona" shall mean the City of Pomona, California.

p. "Release" shall mean the mutual general release granted and received by each Party as described herein.

2. Funding of Settlement

a. CCC, on behalf of M.R. Grant, and in consideration of the agreements, covenants and releases set forth herein, has deposited the amount of \$850,000 into the Escrow Account. In addition CCC shall make an additional deposit into the Escrow account in a manner which permits the funds transferred to clear and be available for disbursement by the 10th calendar day after approval by the Court of this Agreement as contemplated by Sections 3 and 8. The additional deposit shall be in the amount of the full remaining proceeds of M.R. Grant's single-claim reducing insurance policy limit of \$1 million, after payment of all attorneys' fees and costs incurred in connection with the Actions up to and including the date of the additional deposit. Simultaneously with the transmission of the additional deposit CCC or its counsel shall deliver to counsel for Zions a full and detailed accounting of all funds deducted from the policy including copies of all invoices, with any description of services redacted. These funds are being contributed to settle all claims by any Party against M.R. Grant and CCC.

b. Subject to the approval required by Section 8b hereinbelow, USSIC, on behalf of Debtor and the Individuals and in consideration of the agreements, covenants and releases set forth herein, has deposited the amount of \$196,000 into the Escrow Account to settle all claims by any Party against the Debtor, the Individuals and USSIC.

c. The funds in the Escrow Account shall earn interest. The interest on the Escrow Account shall accrue and be payable on a pro rata basis to the recipients of distributions from that Account.

d. In the course of discharging its duties as Escrow Agent, Zions agrees that it will not assign or delegate any of its duties or responsibilities to any third party without the express written consent of all of the other Parties depositing to or receiving funds from the account, that is Pomona, CCC, USSIC and Debtor.

e. With the exception of the Party controlling the Escrow Account and any escrow agent, the Parties shall have no liability based upon, arising out of, directly or indirectly resulting from, in connection with, in consequence of, or in any way involving the administration, management and handling of, or any payments made from, the Escrow Account.

3. Payment of Settlement Proceeds

The funds on deposit in the Escrow Account together with such interest earned thereon shall be paid:

a. To Zions: In consideration of its agreements set forth herein, Zions shall receive \$397,000 plus accrued interest thereon.

b. To Pomona: In consideration of its agreements set forth herein Pomona shall receive \$185,000 plus accrued interest thereon.

c. To Debtor: In consideration of its agreements set forth herein the Debtor shall receive \$4,000 plus accrued interest thereon.

Each of these payments, as well as the releases and all other actions called for in this Agreement, shall be undertaken only after the approval required by Subsections 8a, 8b and 8c have been obtained and after appropriate Court procedures have been completed which result in Court orders or judgments that determine that all rights and obligations of each Party in relation to any other Party in connection with this Agreement shall terminate forever upon the performance of the obligations set forth in this Agreement, and Court approval of this Agreement and Mutual General Release. The payments to Zions, Pomona and Debtor called for by this paragraph shall be made promptly from the Escrow Account after the approval by the Court of this Agreement; and the expiration of the time to seek alteration, amendment or reconsideration of, or for appeal of, such Court approval, or if any such request for alteration, amendment or reconsideration or any appeal of such Court approval having been filed and not dismissed, the date on which any such request or appeal is denied in all material aspects and is no longer subject to any review, appeal or *certiorari*, which the Parties presently anticipate will occur eleven (11) days after entry of the order approving this Agreement.

In the event the Court does not approve this Agreement, as well as the payment of policy proceeds as set forth in Subsection 8b, the classification of creditors as set forth in Subsection 8c, or the language required to be included in the Debtor's confirmed plan of reorganization as set forth in Section 5, or those approvals are given by the Court, but such approval of this Agreement, the payment of the policy proceeds, the classification of creditors, or the language required to be included in the confirmed plan of reorganization is such that the terms are materially altered, or if any approval is amended or reconsidered, or is reversed on appeal, the

funds deposited into the Escrow Account shall be returned to CCC and USSIC along with interest accrued thereon as per their respective pro-rata shares of the funds, within five (5) business days of receipt by counsel for Zions' of written demand that the funds be returned. If the funds in the Escrow Account are returned to CCC and USSIC, then this Agreement shall be null and void, plaintiffs in each of the Actions shall so notify the respective courts and the defendants in each of the Actions shall file responsive pleadings therein within 15 days following return of the Escrow Account funds.

All payments out of the Escrow Account shall be made only as called for by this Agreement and upon written direction by all of the Parties depositing or receiving funds from the account, that is Zions, Pomona, CCC, USSIC and Debtor, or on order of the court failing the approval of all of these Parties.

4. Dismissal of Actions

Each of Zions and Pomona shall dismiss with prejudice all complaints on file in all Actions against all Parties promptly upon receipt of payment pursuant to Section 3 above. Each Party shall cooperate in executing such documentation as is required to effect the dismissals.

5. Releases

No Party, on behalf of itself or on behalf of any other person or entity shall claim at anytime hereafter against any other Party or against any other insureds under any insurance policy (whether or not that insured was not named as a defendant in the Actions) nor shall any Party or any other person or entity seek any payment or reimbursement under the Policies or any other policy of insurance issued to any Party, or from USSIC or CCC, nor shall any Party or any other person or entity seek any other amounts spent in the defense or Settlement of the Actions, or for any action, suit, proceeding, claim or demand or defense or settlement thereof based upon,

arising out of, related to or in any way connected with any of the allegations, facts or circumstances underlying the Actions.

Each of the Parties agrees that this is a full and final settlement, compromise, release and discharge of all actual or potential claims, liabilities or obligations he, she or it has or may have against any other Party to this Agreement including USSIC or CCC and specifically their respective parents, subsidiaries, affiliates, underwriters, reinsurers, brokers, directors, officers, employees, attorneys, agents, representatives, successors, heirs and assigns, which actual or potential claims, liabilities or obligations arise out of or are related to the Actions or the defense of the Actions or the Settlement of the Actions, or the allegations, facts, or circumstances underlying the Actions or the defense and/or the Settlement of the Actions, whether in law or in equity, whether asserted or not, and whether known or unknown, suspected or unsuspected, or anticipated or unanticipated and including, but not by way of limitation, any and all claims for breach of contract, breach of the covenant of good faith and fair dealing, breach of warranty, breach of implied warranty, fraud, negligence, negligent or intentional infliction of emotional distress, "bad faith", or any similar statute adopted by any state, including the California Insurance Code and the California Unfair Claims Settlement Practices Regulations (Cal. Admin. Code, Title 10, Subchapter 7.5, Section 2695.1-2695.17), or violation of any obligation created by state or federal statute which any Party may have against USSIC or CCC arising out of or related to the Actions or the defense of the Actions or the Settlement of the Actions, or the allegations, facts, or circumstances underlying the Actions or the defense and/or the Settlement of the Actions.

The Parties acknowledge, represent and warrant that this Agreement shall be deemed to constitute a voluntary release and surrender of the Policies.

Each Party specifically waives any rights or benefits it may have under § 1542 of the California Civil Code, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Parties agree that upon the Debtor, Pomona and Zions having received the monies called for pursuant to Section 3 of this Agreement, the claims asserted against M.R. Grant as set forth in this Agreement shall be deemed to be the property of the Debtor's bankruptcy estate pursuant to Section 902(1) of the United States Bankruptcy Code with the Debtor therefore having the exclusive right to pursue, in any manner whatsoever, claims (including, but not limited to the claims asserted herein) which have arisen or may arise from the services M.R. Grant provided to the Debtor. Additionally, the Debtor's plan of reorganization shall set forth the following with respect to the claims which have arisen or may arise from the services M.R. Grant provided to the Debtor:

Any claims that have arisen or may arise which are based on the services that M.R. Grant provided to the Debtor, or which are related in any way to the services that M.R. Grant provided to the Debtor, belong to the Debtor exclusively as the property of the Debtor's bankruptcy estate pursuant to 11 U.S.C. 902(1). The Debtor therefore has the sole and exclusive right to pursue any such claims. Furthermore, to the extent that any such claims exist which are based on services that M.R. Grant provided to the Debtor, all such claims have been completely and irrevocably settled pursuant to the Bankruptcy Court approved Agreement which

the Debtor entered into with M.R. Grant and others on [Insert Date of Court
Approved Settlement]

The Debtor shall make its best efforts to obtain confirmation of its plan reorganization with the foregoing language being included in the plan. However, it shall not be a condition of this Agreement that the debtor's confirmed plan of reorganization includes the foregoing language.

6. Effective Date of Releases

Except as set forth below, the releases and discharge of claims set forth in this Agreement shall be effective on the eleventh (11th) day after entry of the Order approving this Agreement.

a. Zions Releases:

Zions' Release of the Debtor: upon confirmation of the Debtor's Plan of Reorganization.

b. Pomona Releases:

Pomona's Release of the Debtor: upon confirmation of the Debtor's Plan of Reorganization.

c. Debtor's Releases:

Releases by Debtor of its claims against Zions shall be effective upon confirmation of the Debtor's Plan of Reorganization.

7. Assignment

In further consideration of the agreements herein Zions hereby assigns to Pomona the balance of Zions' Proof of Claim, reduced in an amount equal to the amount received by Zions from the Escrow Account ("Assigned Claim"). Such Assigned Claim may also be subject to reduction in an amount equal to the final liquidated amount of all claims by the Debtor against Zions. In consideration of the agreements herein Debtor agrees and covenants that it will limit its

recovery against Zions on any and all claims Debtor has against Zions to offsetting such claims against the Assigned Claim; Debtor waives any right to pursue any action or claim against Zions after the assignment becomes effective. Such assignment is without recourse. Such Assignment shall become effective only upon entry of an Order of the Court: (1) approving the Assignment of the claim to Pomona; and (2) Allowing Pomona's vote of such Assigned Claim to be counted for purposes of confirmation of the Debtor's Plan of Reorganization. In the event the Court declines to enter an Order as set forth herein the Assignment shall be null and void.

8. Court Approvals

This Agreement is expressly conditional upon the following approvals by the Court, each of which may be obtained individually or by a motion or motions, seeking more than one approval:

a. Of Settlement: The Debtor will file a motion under Bankruptcy Rule 9019 requesting the Court's approval of this Agreement and the Assignment which motion shall be noticed at least to all creditors in the Case. Such notice shall provide the time to object to the settlement and a statement that failure to file written objections can be deemed to be a waiver of any objections to the settlement, in accordance with Court Rules.

b. Of USSIC's Funding: The Debtor will file a motion under Bankruptcy Rule 9019 requesting the Court's authorization for USSIC to pay from the USSIC policy the settlement funds specified at Section 2b hereinabove, as well as the reasonable and necessary defense costs incurred on behalf of the Debtor and the Individuals in connection with the defense of the Adversary Proceeding. Said motion shall be noticed at least to all creditors in the Case. Such notice shall provide the time to object to the funding and a statement that failure to file written

objections can be deemed to be a waiver of any objections to the settlement, in accordance with Court Rules.

c. Of Classification of Creditors: The Debtor will file a motion under Bankruptcy Rule 3013 requesting the Court's approval of the separate classification of certain unsecured creditors under the Debtor's Plan of Adjustment as follows: All Allowed Unsecured Creditors (other than those in Classes 3 – 6, inclusive) (Class 2); State of California, Department of Mental Health (Class 3); Los Angeles County, Department of Mental Health (Class 4); Zions Bank and City of Pomona (Class 5); Other Creditors Asserting Setoff/Recoupment Rights (Class 6); which classification of such claims may be subject to further changes acceptable to Tri-City and as approved by the Court.

9. Treatment of Claims of Zions and Pomona in Plan of Reorganization

In further consideration of the agreements herein and provided that Zions has received \$897,000 plus interest from the Escrow Account, Zions agrees that Zions' Proof of Claim against the Debtor in the Case shall be treated as follows: Zions shall agree to receive proceeds of insurance of the Debtor and M.R. Grant in partial satisfaction of its claim. Zions agrees that the balance of its claim shall be offset against all claims Debtor has against Zions.

In further consideration of the agreements herein and provided that Pomona has received \$185,000 plus interest from the Escrow Account, Pomona agrees that Pomona's Proof of Claim against the Debtor in the Case shall be treated as follows: Pomona shall agree to receive proceed from the Escrow Account in partial satisfaction of its claims. Pomona agrees that the balance of its claims shall be offset by any claims Debtor has against Pomona.

10. Persons Bound

This Agreement applies to all transferees, successors, predecessors, assignees, agents, partners, employees, officers, directors, attorneys, representatives, consignees, affiliates, subsidiaries, divisions, shareholders, owners and guarantors of any of the Parties.

11. Warranties

Each of the Parties signing this Agreement warrants and represents that he, she or it is the sole owner of all the claims and obligations released and has not previously transferred, hypothecated, assigned or conveyed such claims and obligations to any other person.

12. Execution of Counterparts

This Agreement may be executed in any number of counterparts, each of which shall constitute a duplicate original hereof. The signatories on behalf of each Party respectively warrant that they have full authority to enter into this Agreement on behalf of their Party.

13. Entire Agreement

Each Party acknowledges that this Agreement in its final form is the result of the combined efforts of the Parties and, should any provision of this Agreement be found to be ambiguous in any way, such ambiguity shall not be resolved by construing such provision in favor or against either Party hereto but rather by construing the terms of this Agreement fairly and reasonably in accordance with the purpose of this Agreement.

This Agreement and the Escrow Agreement entered into by Zions, City of Pomona, Tri-City and M.R. Grant constitute the entire agreement between the Parties, and supersedes any prior negotiations, representations and agreements. This Agreement is to be construed according to and governed by the laws of the State of California, without any regard for choice of law considerations, and exclusive jurisdiction for enforcement or interpretation of any term of this

Agreement shall be in a court of competent jurisdiction located in Los Angeles County, California. No part of this Agreement may be waived or modified except by another written agreement signed by the party to be charged. In any dispute arising out of or related to the making or performance of this Agreement, the prevailing party will be entitled to an award of reasonable attorneys' fees and expenses.

Each Party represents and warrants that no representation or promise not expressly contained in this Agreement has been made and the parties are not entering into this Agreement on the basis of any promise, representation or statement, express or implied, which is not specifically set forth herein except for those promises, representations or statements made in the Escrow Agreement entered into by Zions, City of Pomona, Tri-City and M.R. Grant.

14. No Precedential Value

The Parties expressly acknowledge that this Agreement is not to be relied upon by third parties and that it carries with it no precedential value and should not be relied upon by any person or entity as evidence of any obligation by any party or of any Carrier under the Policies or any similar policies other than the obligations contained in this Agreement. However, separate and aside from this Agreement, third parties may be bound by provisions contained in the Release, the Approvals and the Debtor's confirmed plan of reorganization, including but not limited to the proposed plan language referenced in Section 5 of this Agreement.

15. No Admission of Liability or Coverage

The Parties agree that neither the execution of this Agreement nor the provision of any consideration pursuant hereto is intended as, or shall be construed as, an admission of any liability, coverage or responsibility at any time or for any purpose whatsoever. This Agreement is without prejudice or value as precedent, and shall not be used in any proceeding or hearing to

create, prove, or interpret the obligations under, or terms and conditions of, any other agreement or any alleged insurance policy.

16. No Amendment

Each Party hereto understands, acknowledges and agrees that this Agreement may not be altered, amended, modified, or otherwise changed in any respect whatsoever except by a duly executed writing, signed by all of the Parties.

17. Severability

In the event that any provision(s) of this Agreement is determined to be invalid and/or unenforceable, any such provision(s) shall be severable from the remainder of said Agreement, and shall not cause the invalidity and/or unenforceability of the remaining provisions of this Agreement.

18. Legal Advice

The Parties understand, represent and warrant that each enters into this Agreement upon the legal advice of his, her or its attorney, that said attorney has explained the terms of the Agreement, and that each fully understands and voluntarily accepts the terms of this Agreement.

19. Actions to Carry Out Agreement

Each Party hereto agrees to execute, acknowledge, verify, deliver or furnish any documents at such time and in such form and substance as may be reasonably necessary or convenient to effectuate this Agreement.

This Agreement, done at Los Angeles, California, is binding, enforceable and is admissible in evidence, and shall be effective on the eleventh (11th) day after entry of the order approving this Agreement as contemplated by Paragraph 8 above.

WE THE UNDERSIGNED, HEREBY CERTIFY THAT WE HAVE READ
THIS ENTIRE RELEASE AND HAVE HAD THE TERMS HEREIN AND THE
CONSEQUENCES THEREOF EXPLAINED BY OUR RESPECTIVE
ATTORNEYS. WE FULLY UNDERSTAND ALL THE TERMS AND
CONSEQUENCES OF THIS RELEASE AND, WHEREOF, WE HAVE
EXECUTED THIS RELEASE.

SIGNATURE PAGES TO SETTLEMENT AGREEMENT AND GENERAL MUTUAL RELEASE
BY AND BETWEEN TRI-CITY MENTAL HEALTH CENTER, ZIONS FIRST NATIONAL
BANK, CITY OF POMONA, CITY OF LA VERNE, CITY OF CLAREMONT, M.R. GRANT,
MARGUERIE GRANT; TERRY KRAMER; GARY BARNES; LUANN MARTENSON;
JEFFREY ALLRED; PAULA LANTZ; MARCO ROBLES; NORMA TORRES; JON
BLICKENSTAFF; KAREN ROSENTHAL; CONTINENTAL CASUALTY COMPANY; AND
UNITED STATES SPECIALTY INSURANCE COMPANY (COLLECTIVELY, "PARTIES").

PILLSBURY WINTHROP SHAW
PITTMAN LLP

ZIONS FIRST NATIONAL BANK, N.A.

By _____
Catherine D. Meyer
Attorneys for Plaintiff
Zions First National Bank, N.A.

By _____
Its _____

JOHN A. CONKLE
CONKLE & OLESTEN, PLC

By _____
John A. Conkle
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Terry Kramer, Luann Martenson
and Jeffrey Allred


TERRY KRAMER

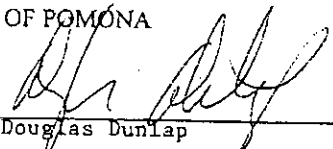
LUANN MARTENSON

JEFFREY ALLRED

GARY BARNES

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KENNETH WATASE
ROQUEMORE, PRINGLE & MOORE, INC.

By  _____
Kenneth Watase
Attorneys for Defendant
City of Pomona

CITY OF POMONA
By  _____
Douglas Dunlap
Its City Manager

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PAUL F. DONSBACH
LAURA OVERTON
KUTAK ROCK LLP

CITY OF LA VERNE

By _____

By _____

Paul F. Donsbach
Attorneys for Defendants
City of La Verne and City of Claremont

Its _____

CITY OF CLAREMONT

By _____

Its _____

BRYAN M. ROTELLA
REBACK McANDREWS & KJAR LLP

CONTINENTAL CASUALTY COMPANY

By _____

By _____

Bryan M. Rotella
Attorneys for Defendants
M.R. Grant and Marguerie Grant

Its _____

M.R. GRANT

MARGUERIE GRANT

VICTOR A. SAHN
DEAN G. RALLIS, JR.
SULMEYER KUPETZ, P.C.

TRI-CITY MENTAL HEALTH CENTER

By _____

By _____

Dean G. Rallis, Jr.
Attorneys for Tri-City Mental Health

Its _____

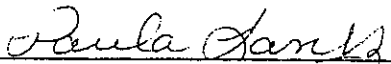
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SCOTT R. SCHAFFER
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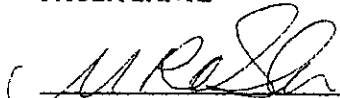
U.S. SPECIALTY INSURANCE CO.

By _____
Scott R. Schaffer
Attorneys for
U.S. Specialty Insurance Co.

By _____
Its _____



PAULA LANTZ



MARCO ROBLES



NORMA TORRES

JON BLICKENSTAFF

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AUG-05-2005 FRI 09:12 AM ZIONS BANK

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P. 02/02

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PILLSBURY WINTRHIP SHAW
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ZIONS FIRST NATIONAL BANK, N.A.

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GARY BARNES

CITY OF POMONA

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Kenneth Watase
Attorneys for Defendant
City of Pomona

By _____
Its _____

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CITY OF POMONA

By _____
Kenneth Watase
Attorneys for Defendant
City of Pomona

By _____
Its _____

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Catherine D. Meyer
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and Jeffrey Allred

Luann Martenson
LUANN MARTENSON

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GARY BARNES

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Kenneth Watase
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City of Pomona

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PILLSBURY WINTHROP SHAW
PITTMAN LLP

ZIONS FIRST NATIONAL BANK, N.A.

By _____
Catherine D. Meyer
Attorneys for Plaintiff
Zions First National Bank, N.A.


By _____
Its _____

JOHN A. CONKLE
CONKLE & OLESTEN, PLC

TERRY KRAMER

By _____
John A. Conkle
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Terry Kramer, Luann Martenson
and Jeffrey Allred

LUANN MARTENSON


JEFFREY ALLRED

GARY BARNES

JOHN P. PRINGLE
KENNETH WATASE
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CITY OF POMONA


By _____
Kenneth Watase
Attorneys for Defendant
City of Pomona

By _____
Its _____

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PAUL F. DONSBACH
LAURA OVERTON
KUTAK ROCK LLP

CITY OF LA VERNE

By 
Its City Manager Martin R. Lomeli

By _____
Paul F. Donsbach
Attorneys for Defendants
City of La Verne and City of Claremont

CITY OF CLAREMONT

By _____

Its _____

BRYAN M. ROTELLA
REBACK McANDREWS & KJAR LLP

CONTINENTAL CASUALTY COMPANY

By _____
Bryan M. Rotella
Attorneys for Defendants
M.R. Grant and Marguerie Grant

By _____

Its _____

M.R. GRANT

MARGUERIE GRANT

VICTOR A. SAHN
DEAN G. RALLIS, JR.
SULMEYER KUPETZ, P.C.

TRI-CITY MENTAL HEALTH CENTER

By _____
Dean G. Rallis, Jr.
Attorneys for Tri-City Mental Health

By _____

Its _____

SIGNATURE PAGES TO SETTLEMENT AGREEMENT AND GENERAL MUTUAL RELEASE BY AND BETWEEN TRI-CITY MENTAL HEALTH CENTER, ZIONS FIRST NATIONAL BANK, CITY OF POMONA, CITY OF LA VERNE, CITY OF CLAREMONT, M.R. GRANT, MARGUERIE GRANT; TERRY KRAMER; GARY BARNES; LUANN MARTENSON; JEFFREY ALLRED; PAULA LANTZ; MARCOS ROBLES; NORMA TORRES; JON BLICKENSTAFF; KAREN ROSENTHAL; CNA FINANCIAL CORPORATION; AND UNITED STATES SPECIALTY INSURANCE COMPANY (COLLECTIVELY, "PARTIES").

PAUL F. DONSBACH
LAURA OVERTON
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CITY OF LA VERNE

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BRYAN M. ROTELLA
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CONTINENTAL CASUALTY COMPANY

By *[Signature]*

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Bryan M. Rotella
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M.R. Grant and Marguerie Grant

Its Director of Claims

M.R. GRANT

MARGUERIE GRANT

VICTOR A. SAHN
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TRI-CITY MENTAL HEALTH CENTER

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BRYAN M. ROTELLA
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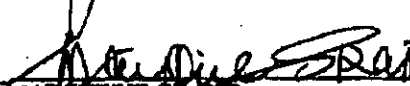
CONTINENTAL CASUALTY COMPANY

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Its _____


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CONTINENTAL CASUALTY COMPANY

By *Bryan M. Rotella*
Bryan M. Rotella
Attorneys for Defendants
M.R. Grant and Marguerie Grant

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Its _____

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MARGUERIE GRANT

TRI-CITY MENTAL HEALTH CENTER

VICTOR A. SAHN
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SULMEYER KUPETZ, P.C.

By _____

By _____
Dean G. Rallis
Attorneys for Tri-City Mental Health

Its _____

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SULMEYERKUPETZ

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PAUL F. DONSBACH
LAURA OVERTON
KUTAK ROCK LLP

CITY OF LA VERNE

By _____
Paul F. Donsbach
Attorneys for Defendants
City of La Verne and City of Claremont

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Its _____

CITY OF CLAREMONT

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Its _____

BRYAN M. ROTELLA
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CONTINENTAL CASUALTY COMPANY

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Attorneys for Defendants
M.R. Grant and Marguerie Grant

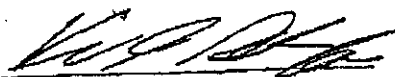
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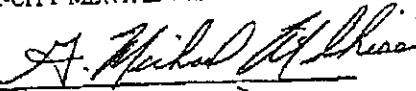
M.R. GRANT

MARGUERIE GRANT

VICTOR A. SAHN
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SULMEYER KUPETZ, P.C.

TRI-CITY MENTAL HEALTH CENTER

By 
Dean G. Rallis, Jr.
Attorneys for Tri-City Mental Health

By 
Its INT. EXECUTIVE DIRECTOR

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SCOTT R. SCHAFER
WILSON, ELSER, MOSKOWITZ,
EDELMAN & DICKER LLP

By [Signature]
Scott R. Schaffer
Attorneys for
U.S. Specialty Insurance Co.

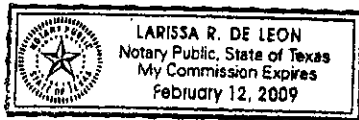
U.S. SPECIALTY INSURANCE CO.

By [Signature]
Its SVP - Claims

State of Texas
County of Harris

This instrument was acknowledged before me on 12 day of Aug 2005 by Duane R. Dyckman

[Signature]
Notary Public's Signature
My Commission Expires 2-12-09



PAULA LANTZ

MARCOS ROBLES

NORMA TORRES

JON BLICKENSTAFF

KAREN ROSENTHAL

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THE UPS STORE 5066

PAGE 02

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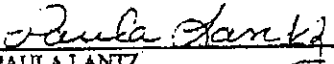
SCOTT R. SCHAFFER
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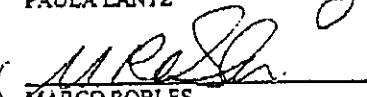
By _____

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Scott R. Schaffer
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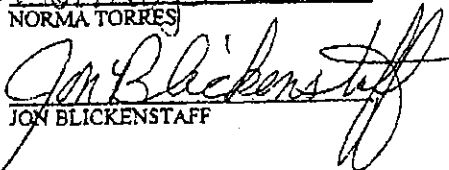
PAULA LANTZ



MARCO ROBLES



NORMA TORRES



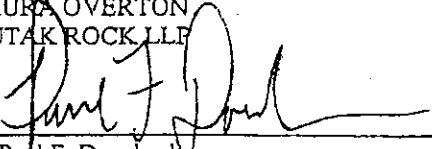
JON BLICKENSTAFF

KAREN ROSENTHAL

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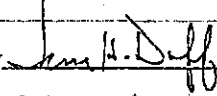
CITY OF LA VERNE

By 
Paul F. Donsbach
Attorneys for Defendants
City of La Verne and City of Claremont

By _____

Its _____

CITY OF CLAREMONT

By 
Its Interim City Manager

BRYAN M. ROTELLA
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TRI-CITY MENTAL HEALTH CENTER

By _____
Dean G. Rallis, Jr.
Attorneys for Tri-City Mental Health

By _____

Its _____

ORDER AFTER HEARING ON DEBTOR'S MOTION: (1) FOR
APPROVAL OF COMPROMISE WITH ZIONS NATIONAL BANK,
ETC.