

PALM DRIVE FILES TO EXIT BANKRUPTCY: SEBASTOPOL HOSPITAL OPERATING IN THE
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For the second time in seven months, Sebastopol's Palm Drive Hospital has filed court documents laying out its plan to settle \$3.6 million in debts and emerge from bankruptcy protection.

The filing, announced Wednesday, proposes to pay 75 cents on the dollar for creditors who are owed less than \$10,000. Creditors owed more than \$10,000 would receive 55 cents on the dollar.

The plan still must be reviewed by the court and approved by a vote of the creditors. But the plan has the approval of the creditors committee, the hospital said.

Dan Smith, president of the hospital district board, said Thursday that the creditors committee earlier had called for Palm Drive to simultaneously exit bankruptcy and sell bonds needed to pay its debts.

The hospital now plans to do that and has a committed buyer for \$10 million worth of bonds, known as certificates of participation. The buyer, UnitedHealth Group, recently purchased Healdsburg Hospital bonds, Palm Drive officials said.

The bonds also would be used to repay a \$3 million loan from Sonoma County.

“This is a pivotal event,” James Russell, Palm Drive's chief executive officer, said in a statement. “This filing means we will be able to settle with our creditors, exit Chapter 9 and continue to grow the business.”

Palm Drive filed for bankruptcy in April 2007.

Last August the hospital had filed similar papers in an attempt to exit bankruptcy but pulled back last fall, citing uncertainties in the bond market. The 37-bed hospital is now operating in the black for the first time since it was purchased by the community in 1999, according to the statement. Smith attributed the improved financial condition partly to reopening Palm Drive's intensive care unit and to bringing in new staff who are able to care for seriously ill patients.

“That means we're able to treat west county people without having to ship them into Santa Rosa,” Smith said.

Palm Drive reports annual revenue of \$25 million. The hospital is supported by a parcel tax on west county properties.

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