

MAGEE, FOSTER, GOLDSTEIN & SAYERS

A PROFESSIONAL CORPORATION

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MEMORANDUM

TO: ALL CREDITORS

FROM: A. CARTER MAGEE, JR.
COUNSEL FOR R.J. REYNOLDS-PATRICK COUNTY MEMORIAL
HOSPITAL, INC.

DATE: December 13, 1999

RE: R.J. REYNOLDS-PATRICK COUNTY MEMORIAL HOSPITAL, INC.
Chapter 11 Case No. 99-03471-WA4-11

R.J. Reynolds-Patrick County Memorial Hospital, Inc. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code on November 17, 1999 in the United States Bankruptcy Court for the Western District of Virginia. Since the filing, the Hospital has continued to operate as a debtor-in-possession. With the approval of Branch Banking & Trust, the Hospital's primary lender, and the Bankruptcy Court, the Hospital is permitted to use its accounts receivable, inventory and cash in the ordinary course of its day-to-day operations. Currently, the Hospital receives approximately \$1,000,000.00 per month in revenues, even though it is billing approximately \$2,600,000.00 per month. Much of the difference between billing and recovery has been lost in the past; now, under Carol A. Stevens, Acting CEO, the Hospital is beginning to recoup some of its lost revenue by improving its billing practices.

The Hospital is a 77-bed acute-care facility in Patrick County, Virginia. It serves approximately 20,000 people in the County as well as residents of surrounding counties. Last year, it generated over 18,000 treatments for its patients. With its patient base in the County and by streamlining its operations and running the Hospital's operations better, the Hospital should survive this Chapter 11 reorganization process.

At this point, the Hospital is considering a number of options which range from affiliations with larger hospitals to surviving on its own. Given the current state of economic and regulatory affairs, small, rural hospitals are an endangered species as Congress has reduced Medicare and Medicaid funding. Ironically, at the same time, Congress has provided a pool of grant money to be made available to critical access care

hospitals in rural counties. The Patrick County Hospital seems to fit the requirements and we are in the process of applying for the federal grant. While the Hospital's Plan of Reorganization is being implemented, we will certainly not turn away any additional financial assistance; however, the Plan is not dependent on the grant.

In order to emerge from the reorganization process, the Hospital must propose and have approved a Plan of Reorganization within four to six months. As a practical matter, that process generally takes slightly longer, but it is in the best interest of the Hospital, its creditors and the community to determine its course of action, file the Plan and have it confirmed as quickly as possible. In order to emerge successfully, the Hospital must be able to count on its current vendors, suppliers and other trade creditors. Now that the bankruptcy has been filed and the Hospital's finances stabilized, creditors who furnish credit to a debtor in a Chapter 11 bankruptcy reorganization case become administrative creditors entitled to be paid ahead of all other pre-bankruptcy unsecured debt. In other words, creditors furnishing credit to Patrick County Hospital are elevated to a much higher position.

By this letter, on behalf of the Hospital, I request that you and your company consider extending credit to the Hospital. Initially, credit can be limited by an amount each billing period or by a period of time. Either way, the Hospital greatly needs your help in opening up the credit channels so that it can avoid having to pay CBD (Cash Before Delivery) or COD (Cash On Delivery) which greatly upsets its cash flow. Those creditors who extend credit in the bankruptcy reorganization phase will be given preferential treatment in the Plan.

I urge you to give this matter your most sincere consideration. If you have any questions, please call Carol A. Stevens (540/694-8678) or me (540/343-9800).

Patrick Community Hospital

18688 Jeb Stuart Highway
Stuart, VA 24171

December 22, 1999

Donna Moser
U.S. Nuclear Regulatory Commission
Region II
Atlanta Federal Center
61 Forsyth St. SW
Suite 23T85
Atlanta, GA 30303-3415

Dear Donna:

Patrick Community Hospital (PCH), filed for Chapter 11 under the U.S. Bankruptcy Law, on November 17, 1999. This filing is for protection while PCH re-organizes its business plan.

As I had reported to you via telephone several weeks ago, we had not started imaging yet at PCH. There were several issues regarding the equipment, radiopharmaceuticals and others, that were not resolved.

For a few weeks, we did have some calibration sources at the hospital. These have been returned to the owner. See attached document.

I shall notify you via written communication, if and when we will begin imaging.

Sincerely yours,



John A. Weaver, M.D., PhD
RSO for Patrick Community Hospital

Enclosure

gep

MEDICAL PHYSICS
SHIELDING RECOMMENDATIONS

RADIATION PHYSICS
EMERGENCY CONSULTATION



PHYSICS ASSOCIATES

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Lee S. Anthony, Ph. D.
Certified Health Physicist
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PATRICK COMMUNITY HOSPITAL
NUCLEAR MEDICINE
December 14, 1999

<u>RADIOISOTOPE</u>	<u>TOTAL ACTIVITY on</u>	<u>DATE</u>	<u>NUMBER</u>
Co-60	97.0 μ Ci	3-25-82	90230382A6 Capintec
Co-57	5.5 mCi	4-24-95	5206085-063 NES 206
Cs-137	97.1 μ Ci	3-11-80	90171179A28 Capintec
Ba-133	235 μ Ci	8-22-88	352851 ICN

On this date, before transfer of sources to Physics Associates' office in Roanoke, Virginia, I performed a wipe test on the above sources with a Bicon G-M Survey 2000, S/N B344D. No removeable contamination was observed. The minimal detectable by this survey meter was 0.0047 μ Ci of Cs-137 and 0.0002 μ Ci of Am-241. Upon arrival at Physics Associates' office, these sources were wipe tested on a NaI-MCA gamma spectroscopy system which can read 0.00014 μ Ci of Am-24 and 0.000 11 μ Ci of Cesium-137. No removeable contamination was noted.

Lee S. Anthony, Jr.
Lee S. Anthony, Jr.
B.S.,M.A. Physicist

LSAJr./hg

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