UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11 Case
SOUND SHORE MEDICAL CENTER OF WESTCHESTER, et al.,[1]	Case No. 13- 22840 (RDD)
Debtors.	(Jointly Administered)

FIRST AMENDED DISCLOSURE STATEMENT, PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE, FOR FIRST AMENDED PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE OF SOUND SHORE MEDICAL CENTER OF WESTCHESTER, ET AL.

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.

GARFUNKEL WILD, P.C.
111 Great Neck Road
Great Neck, New York 11021
Telephone: (516) 393-2200
Telefax: (516) 466-5964
Burton S. Weston
Afsheen A. Shah
Adam T. Berkowitz

Counsel for Debtors
And Debtors in Possession

Dated: September 17, 2014
New Rochelle, New York

[1] The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: Sound Shore Health System, Inc. (1398), Sound Shore Medical Center of Westchester (0117), The Mount Vernon Hospital (0115), Howe Avenue Nursing Home, Inc. d/b/a Helen and Michael Schaffer Extended Care Center (0781), NRHMC Services Corporation (9137), the M.V.H. Corporation (1514) and New Rochelle Sound Shore Housing, LLC (0117). There are certain additional affiliates of the Debtors who are not debtors and have not sought relief under Chapter 11.

I. INTRODUCTION AND SUMMARY

A. Overview

Sound Shore Medical Center of Westchester, Sound Shore Health System, Inc., The Mount Vernon Hospital, Howe Avenue Nursing Home, Inc. d/b/a Helen and Michael Schaffer Extended Care Center, NRHMC Services Corporation, The M.V.H. Corporation and New Rochelle Sound Shore Housing, LLC (collectively, the "Debtors") submit this first amended Disclosure Statement (the "Disclosure Statement") pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), in connection with their First Amended Plan of Liquidation Under Chapter 11 of the Bankruptcy Code, dated September 15, 2014 (the "Plan"). This Disclosure Statement is intended to provide the Debtors' creditors with adequate information to enable holders of Claims that are impaired under (and entitled to vote on) the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan. A copy of the Plan is annexed hereto as Exhibit A. Please read this Disclosure Statement, the Plan and the Plan Supplement, if any, carefully and follow the instructions set forth below on how to vote on the Plan. All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to them in the Plan, unless otherwise noted.

The Plan provides a means by which the proceeds of the liquidation of the Debtors' assets will be distributed under Chapter 11 of the Bankruptcy Code, and sets forth the treatment of all Claims against and Interests in the Debtors. As described in more detail below, the Debtors have consummated the sale of substantially all of their assets to affiliates of Montefiore Medical Center or their designees (the "Buyer") pursuant to an order of the Court authorizing the Debtors to sell (i) their real estate assets and (ii) designated personal property assets. The Plan implements the distribution of the proceeds of the sale to holders of allowed Claims, and provides for liquidation of any remaining assets and a process for recovery of any causes of action belonging to the Debtors and their estates.

THE DEBTORS AND THE COMMITTEE STRONGLY URGE ACCEPTANCE OF THE PLAN, AND URGE ALL CREDITORS ENTITLED TO VOTE THEREON TO VOTE TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS SO THAT THEY ARE RECEIVED BY 4:00 P.M. (PREVAILING EASTERN TIME) ON OCTOBER 20, 2014.

Each holder of a Claim against the Debtors entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Plan Supplement, if any, and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims against the Debtors and Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to Section 1125 of the Bankruptcy Code.

B. Explanation of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its finances and operations for the benefit of itself, its creditors and equity interest holders. Alternatively, a debtor can utilize the provisions of Chapter 11 to orderly market and sell its assets in order to derive maximum value and provide equal treatment of similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that a Chapter 11 debtor may continue to operate its business and remain in possession of its property as a debtor-in-possession. The Debtors filed their Chapter 11 Cases with the Court on May 29, 2013. The Cases were assigned to the Honorable Robert D. Drain, United States Bankruptcy Judge for the Southern District of New York. The Debtors continue to manage the orderly liquidation of properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

Confirmation and consummation of a plan of reorganization or liquidation are the principal objectives of a Chapter 11 case. In these Chapter 11 Cases, the Plan contemplates a liquidation of each of the Debtors and is therefore referred to as a "plan of liquidation." The primary objective of the Plan is to maximize the value of the recoveries to all holders of Allowed Claims and Allowed Interests and to distribute any Property of the Estates that is or becomes available for distribution generally in accordance with the priorities established by the Bankruptcy Code. In general, confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any person acquiring property under the plan and any creditor or equity interest holder of a debtor whether or not they vote to accept the plan. Before soliciting acceptances of a proposed plan, however, Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a creditor to make an informed judgment in voting to accept or reject the plan. The Debtors are submitting this Disclosure Statement to holders of impaired Claims against, and Interests in, the Debtors to satisfy the requirements of Section 1125 of the Bankruptcy Code.

C. Summary of Classification and Treatment Under the Plan

On May 29, 2013 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the Court. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors continued in the management and possession of their properties as debtor-in-possessions. No trustee or examiner has been appointed in these cases.

In general, and as more fully described herein, the Plan (i) divides Claims and Interests into four (4) unclassified categories and four (4) classes, (ii) sets forth the treatment afforded to each category and class, and (iii) provides the means by which the proceeds of sale of the Debtors' assets will be distributed. The following table sets forth a summary of the treatment of

each class of Claims and Interests under the Plan (a more detailed description of the Plan is set forth in Section IV of this Disclosure Statement entitled "*Overview of The Plan*").[2]

	Type of Claim or Interest Class	Treatment of Allowed Claims and Interests
	Administrative Claims	Each holder of an Allowed Administrative Claim, in full and complete satisfaction, release and settlement of such Allowed Administrative Claim, shall receive Cash from the Remaining Cash in an amount equal to such Allowed Administrative Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed or otherwise payable, unless such holder shall agree to a different and less favorable treatment of such Claim.
	Professional Fee Claims	Each holder of an Allowed Professional Fee Claim shall be paid in Cash from the Remaining Cash in an amount equal to such Allowed Professional Fee Claim on or as soon as reasonably practicable after the first Business Day following the date upon which such Claim becomes Allowed by Final Order, unless such holder shall agree to a different and less favorable treatment of such Claim.
	Priority Tax Claims	Unless the holder thereof shall agree to a different and less favorable treatment, each holder of an Allowed Priority Tax Claim, in full and complete satisfaction of such Allowed Claim, shall receive payment in Cash from the Remaining Cash in an amount equal to such Allowed Priority Tax Claim on or as soon as reasonably practicable after the later of (a) the Effective Date and (b) the date on which such Claim becomes Allowed.
	U.S. Trustee Fees	The Debtors shall pay all United States Trustee quarterly fees under 28 U.S.C.

[2] This summary contains only a brief simplified description of the classification and treatment of Claims and Interests under the Plan. It does not describe every provision of the Plan. Accordingly, reference should be made to the entire Disclosure Statement (including exhibits) and the Plan for a complete description of the classification and treatment of Claims and Interests.

		§1930(a)(6), plus interest due and payable under 31 U.S.C. §3717, if any, on all disbursements, including Plan payments and disbursements in and outside the ordinary course of the Debtors' business, until the entry of a final decree, dismissal of the case or conversion of the case to Chapter 7.
1	Secured Claims	Each holder of an Allowed Secured Claim, in full and final satisfaction, release and settlement of such Claim, shall receive one of the following alternative treatments, at the election of the Plan Administrator: (a) payment in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes due and payable by its terms; (b) the legal, equitable and contractual rights to which such Claim entitles the holder, unaltered by the Plan; (c) the treatment described in Section 1124(2) of the Bankruptcy Code; or (d) all collateral securing such Claim, without representation or warranty by or recourse against the Debtors. To the extent that the value of the Collateral securing each Allowed Secured Claim is less than the amount of such Allowed Secured Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Unsecured Claim in Class 3 and shall be classified as such. Class 1 is an Unimpaired Class and is deemed to have accepted the Plan.
2	Other Priority Claims	Each holder of an Allowed Other Priority Claim, in full and final satisfaction, release and settlement of such Claim, shall be paid in full in Cash in an amount equal to its Allowed Other Priority Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder shall agree to a different and less favorable treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such

		holder). Class 2 is an Unimpaired Class and is deemed to have accepted the Plan
3	Unsecured Claims	The holders of Allowed Unsecured Claims, including, without limitation, Allowed Medical Malpractice/Personal Injury Claims, in full and complete satisfaction, release and settlement of such Allowed Claims, shall receive Pro Rata distributions of Cash from the Net Proceeds. Class 3 is an Impaired Class that is entitled to vote on the Plan. The Debtors estimate that the recovery for holders of Allowed Unsecured Claims will be 3% to 6%.
4	Interests	On the Effective Date, all Interests shall be cancelled and extinguished. Holders of Interests shall not receive or retain any property on account of such Interests. Class 4 is an Impaired Class that is deemed to reject the Plan.

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF CLAIMS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. WHILE THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE PLAN, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS IN THE PLAN, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER

AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN UNLESS SO SPECIFIED. WHILE THE DEBTORS HAVE MADE EVERY EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES REASONABLY CAN BE EXPECTED TO AFFECT MATERIALLY THE VOTE ON THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT THAT CERTAIN EVENTS, SUCH AS THOSE MATTERS DISCUSSED IN SECTION VII BELOW ENTITLED "RISK FACTORS" DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER APPLICABLE NON-BANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN, OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, THE DEBTORS, SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

WITH RESPECT TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND THE INFORMATION CONTAINED HEREIN SHALL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.

D. Voting and Confirmation Procedures

As set forth above, accompanying this Disclosure Statement are copies of, among other things, the following documents:

(i) the Plan, which is annexed hereto as Exhibit A,

(ii) the Disclosure Statement Approval Order, which is annexed hereto as Exhibit B, approving (a) this Disclosure Statement as containing adequate information pursuant to Section 1125 of the Bankruptcy Code, (b) procedures for the solicitation and tabulation of votes to accept or reject the Plan, including estimating certain claims for voting purposes only, (c) the fixing and notice of (1) the time for submitting acceptances or rejections to the Plan, (2) the hearing to consider confirmation of the Plan, (3) the time for filing objections to confirmation of the Plan and (4) other deadlines and notice procedures; and

(iii) A non-exhaustive list setting forth persons or entities that received payments during the 90 days prior to the Petition Date that the Plan Administrator (or the Post Effective Date Committee, if applicable) may seek to recover under section 547 of the Bankruptcy Code or otherwise will be included in a Plan Supplement. A Plan Supplement will also include a non-exhaustive list setting forth insiders of the Debtors who received payments during the one year prior to the Petition Date that the Plan Administrator (or the Post Effective Date Committee, if applicable)

may seek to recover under section 547 of the Bankruptcy Code or otherwise. In reviewing this Disclosure Statement and the Plan and, if applicable, determining whether to vote for or against the Plan, Creditors (including parties who received payments or transfers from the Debtors within 90 days prior to the Petition Date and insiders who received payments or transfers from the Debtors within one year before the Petition Date) and other parties should consider that Causes of Action of the Debtors may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of the Action of the Debtors, and that the Plan authorizes the Plan Administrator (or the Post Effective Date Committee, if applicable) to prosecute same.

The forms of Ballots, and the related materials delivered together herewith, are being furnished, for purposes of soliciting votes on the Plan, to Class 3, which is the only impaired class of Claims that is entitled to vote on the Plan. The Disclosure Statement is also available at no cost upon request to holders of Claims in Classes 1 and 2 (which classes are unimpaired and therefore deemed to accept the Plan), Class 4 (which is class is impaired and deemed to have rejected the Plan), and other entities, solely for informational purposes.

(1) Who May Vote

Pursuant to the provisions of the Bankruptcy Code, impaired classes of claims or interests are entitled to vote to accept or reject a plan of reorganization. A class which is not "impaired" is deemed to have accepted a plan and is not entitled to vote. A class is "impaired" under the Bankruptcy Code unless the legal, equitable, and contractual rights of the holders of claims or interests in such class are not modified or altered. As set forth above, Class 1 (Secured) and Class 2 (Other Priority) Claims are unimpaired and deemed to accept the Plan; Class 3 (Unsecured) is impaired and thus entitled to vote on the Plan. Class 4 (Interests) is Impaired and deemed to reject the Plan.

(2) Voting of Claims Each holder of an Allowed Claim in an Impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in such order as is entered by the Court establishing certain procedures with respect to the voting to accept or reject the Plan.

(3) Voting Procedures

All votes to accept or reject the Plan must be cast by using the form of Ballot. No votes other than ones using such Ballots will be counted except to the extent the Court orders otherwise. The Court has fixed October 20, 2014 at 4:00 p.m., Prevailing Eastern Time, (the "Voting Record Date") as the time and date for the determination of holders of record of Claims who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan on the appropriate Ballot and return such Ballot in the enclosed envelope to:

IF BY FIRST CLASS MAIL:

Sound Shore Medical Center of Westchester, Ballot Processing
c/o GCG, Inc.
P.O. Box 9982
Dublin, Ohio 43017-5982

IF BY OVERNIGHT MAIL OR HAND DELIVERY:

Sound Shore Medical Center of Westchester, Ballot Processing
c/o GCG, Inc.
5151 Blazer Parkway, Suite A
Dublin, Ohio 43017

BALLOTS MUST BE RECEIVED ON OR BEFORE 4:00 P.M. (PREVAILING EASTERN TIME) ON [OCTOBER 20, 2014] (THE "VOTING DEADLINE"). THE FOLLOWING BALLOTS SHALL NOT BE COUNTED OR CONSIDERED FOR ANY PURPOSE IN DETERMINING WHETHER THE PLAN HAS BEEN ACCEPTED OR REJECTED: (A) ANY BALLOT THAT IS PROPERLY COMPLETED, EXECUTED AND TIMELY RETURNED TO THE VOTING AGENT, BUT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN, (B) ANY BALLOT ACTUALLY RECEIVED BY THE VOTING AGENT AFTER THE VOTING DEADLINE, UNLESS THE DEBTORS SHALL HAVE GRANTED IN WRITING AN EXTENSION OF THE VOTING DEADLINE WITH RESPECT TO SUCH BALLOT, (C) ANY BALLOT THAT IS ILLEGIBLE OR CONTAINS INSUFFICIENT INFORMATION TO PERMIT THE IDENTIFICATION OF THE CLAIMANT, (D) ANY BALLOT CAST BY A PERSON OR ENTITY THAT DOES NOT HOLD A CLAIM IN A CLASS THAT IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, (E) ANY BALLOT CAST FOR A CLAIM SCHEDULED AS UNLIQUIDATED, CONTINGENT OR DISPUTED FOR WHICH NO PROOF OF CLAIM WAS TIMELY FILED, (F) ANY UNSIGNED OR NON-ORIGINALLY SIGNED BALLOT, (G) ANY BALLOT SENT DIRECTLY TO ANY OF THE DEBTORS, THEIR AGENTS (OTHER THAN THE VOTING AGENT) OR THE DEBTORS' FINANCIAL OR LEGAL ADVISORS OR TO ANY PARTY OTHER THAN THE VOTING AGENT, (H) ANY BALLOT CAST FOR A CLAIM THAT HAS BEEN DISALLOWED (FOR VOTING PURPOSES OR OTHERWISE), (I) ANY BALLOT WHICH IS SUPERSEDED BY A LATER FILED BALLOT; AND (J) ANY BALLOT TRANSMITTED TO THE VOTING AGENT BY FACSIMILE OR OTHER ELECTRONIC MEANS.

If you have any questions regarding the procedures for voting on the Plan, please contact the Debtors' balloting agent, GCG, Inc., at the above address, or the following telephone number: (866) 300-1288.

(4) Nonconsensual Confirmation. If any Impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any Impaired Class is deemed to have rejected the Plan,

the Plan Proponents reserve the right (a) to undertake to have the Court confirm the Plan under Section 1129(b) of the Bankruptcy Code and (b) subject to Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, to modify the Plan to the extent necessary to obtain entry of the Confirmation Order, provided such modifications are consistent with Section 11.1 of the Plan. At the Confirmation Hearing, the Plan Proponents will seek a ruling that if no holder of a Claim or Interest eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the holders of such Claims or Interests in such Class for the purposes of Section 1129(b).

II. THE DEBTORS' BUSINESS AND DEBT STRUCTURE, EVENTS LEADING TO COMMENCEMENT OF CHAPTER 11 CASES AND SALE OF ASSETS

A. Organizational Structure and History of the Debtors

Sound Shore Health System, Inc. ("SSHS" or the "System") was formed in 1997 when three affiliated healthcare institutions joined together to create one of the largest regional healthcare systems between New York City and Albany. The System's members included Sound Shore Medical Center of Westchester ("SSMC"), The Mount Vernon Hospital ("MVH"), and Howe Avenue Nursing Home, Inc. d/b/a Schaffer Extended Care Center ("SECC"). This association, with the addition of its fourth member in 2001, the Visiting Nurse Association of Hudson Valley, provided the southern Westchester region with a broad scope of enhanced, quality programs and services since being founded. SSHS holds the membership interests of SSMC and MVH.

The Debtors, through their combined facilities, provided a range of specialized medical and related services, including orthopedic surgery, behavioral health, pediatrics, OB/GYN, continuing care facilities, a nursing home and community care clinics providing primary care services. Their affiliation with the New York College of Medicine also enabled the Debtors to provide a teaching environment in multiple disciplines to their community and patients.

A significant portion of the Debtors' core business was focused around SSMC. Founded in 1892, SSMC operated as a not-for-profit community-based teaching hospital, offering primary, acute, emergency and long-term health care to the working class residents of southern Westchester. SSMC was home to a comprehensive orthopedic program and stroke and bariatric centers of recognized excellence. It also boasted the existence of the only trauma center in southern Westchester and a reputable level 3 perinatal hospital.

A smaller, but nonetheless important, portion of the Debtors' operations centered around MVH which served the City of Mount Vernon, the Pelhams, East Yonkers, New Rochelle and North Bronx. MVH also operated the Dorothea Hopfer School of Nursing, chartered by New York State since 1901. Since being founded in 1891, MVH and its affiliated physicians had provided a full range of diagnostic and therapeutic medical and surgical services. In addition to inpatient services, MVH had also been known for its broad spectrum of specialty programs, including a renowned wound management treatment program, and a comprehensive inpatient and outpatient behavioral health programs consisting of psychiatric services designed specifically for individuals whose needs have not been met through traditional approaches.

The remaining components of the Debtors' operations were centered around SECC, a comprehensive facility offering short-term rehabilitation/sub-acute care, as well as skilled long-term care. SECC committed a substantial portion of its services to long-term skilled medical management for individuals with chronic conditions or disabilities, who were no longer capable of living independently. A smaller component of SECC's services were utilized for short-term stays and rehabilitation of patients recovering from heart surgery, heart attacks, strokes, and orthopedic surgery.

B. Events Leading to Chapter 11 Filings

As the largest "safety net" providers for southern Westchester County, the Debtors served a disproportionate share of patients in the Medicaid and uninsured populations and were recognized by New York State as a leading provider of charitable care to the residents of southern Westchester County. The Debtors' collective revenues in 2012 totaled $241.83 million and expenses aggregated $265.50 million. Taking into account extraordinary items the operating loss in 2012 was $16.35 million. In 2011, the Debtors had an operating loss of $9.9 million on revenues of $243.31 million.

As is true with many community hospitals serving a working class constituency, the Debtors were beset by the financial pressures caused by cuts in Medicare and Medicaid funding, declining indigent pool payments, and changing demographics in the communities served by the Debtors. Commencing in 2006 and increasingly each year thereafter, the Debtors had experienced a progressive decline in patient volume and discharges and reduction in acuity of the case mix. Operating revenues had decreased, leading to significant losses in the years preceding these filings. Cash book balances had become frequently negative, and vendor payables had increased to over 225 days past due. With a substantial portion of their assets liened, the Debtors had limited remaining ability to obtain sufficient working capital financing. Simultaneously, they had faced increased competition from other regional healthcare providers.

The Debtors had sought to address one component of this liquidity crisis, vendor payables, through a creditor compromise effectuated in 2008. More than $20 million of unsecured indebtedness obligations were voluntarily reduced and settled at significant discounts. Additionally, in order to increase overall efficiency in their operations, in October 2011, MVH and SSMC executed a conversion to a new electronic medical record and billing system. Multiple problems were encountered during the conversion process which still had not been fully remedied as of the Petition Date. Major delays in billing and cash collections resulting from the conversion led to increased patient account denials and bad-debt write offs. To avoid continued delays and losses, the Debtors had (at significant cost) dedicated additional resources to resolve the conversion issues, which resulted in a further drain on available cash and resources. As a consequence, liquidity yet again became a pressing issue, this time preventing the Debtors from implementing critical system updates which were vital to improving their infrastructure and physical plant.

The lack of liquidity also led to extended vendor disbursements. Mounting trade payable liabilities resulted, in some cases, to the immediate termination of necessary service relationships. In other cases, the Debtors were forced to renegotiate existing terms and payment of outstanding liabilities. Simultaneously, the Debtors were facing a decrease in volume and a

shift from the provision of inpatient care to increased ambulatory care at lower reimbursement rates. During this same period of time, provider costs continued to increase. Ultimately, the Debtors were left with no viable option other than the filing of their chapter 11 cases.

C. Capital Structure and Significant Pre-Petition Secured Debt

(1) **Sun Life Mortgage**. As of the Petition Date, the SSMC real property constituting its main hospital campus and SSMC's ambulatory care facility was encumbered by a first mortgage held by Sun Life Assurance Company of Canada (US) ("Sun Life"), dated April 4, 2006, in the original principal amount of $12 million. Sun Life was owed approximately $8.98 million under the Sun Life Mortgage as of the Petition Date.

(2) **DASNY Loans**. Prior to the Petition Date, SSMC and MVH entered into a series of reimbursement agreements with the Dormitory Authority of the State of New York ("DASNY") pursuant to which DASNY extended loans to SSMC and MVH on a secured and unsecured basis. The unsecured loans consisted of (i) a consolidated restructuring pool loan to SSMC in the aggregate amount of $4.1 million and (ii) consolidated loans in the aggregate amount of $2.5 million.

Pursuant to a First Amended Reimbursement Agreement, on February 13, 2008, DASNY loaned the sum of $2 million to SSMC (the "First Amended Reimbursement Agreement"). The First Amended Reimbursement Agreement consolidated SSMC's obligations to DASNY under a prior reimbursement agreement, dated January 29, 2002, pursuant to which SSMC had received the first installment of a restructuring pool loan in the amount of $1 million (the "Original Reimbursement Agreement"). Neither the Original Reimbursement Agreement nor the First Amended Reimbursement Agreement provided for the grant of a security interest in favor of DASNY.

Thereafter, on April 14, 2008, DASNY and SSMC agreed to further amend the terms of the Original Reimbursement Agreement through the execution of a Second Amended Reimbursement Agreement (the "Second Amended Reimbursement Agreement"), whereby DASNY agreed to loan an additional $2 million to SSMC. At the time the Second Amended Reimbursement Agreement was executed, SSMC owed DASNY the sum of $2,146,606.91 for obligations under the Original Reimbursement Agreement and the First Amended Reimbursement Agreement. Thus, following the execution of the Second Amended Reimbursement Agreement, the aggregate principal loan amount due to DASNY was $4,146,606.91. The additional funds loaned by DASNY under the Second Amended Reimbursement Agreement were also issued on an unsecured basis.

Subsequently, on August 11, 2009, the parties agreed to enter into a second Reimbursement Agreement (the "2009 Reimbursement Agreement") which provided for advances by DASNY in the amount of $5 million to SSMC (the "DASNY 2009 SSMC Loan"). As security for the DASNY 2009 SSMC Loan, DASNY was granted a lien in SECC's real property located at 16 Guion Place, New Rochelle, New York. To later facilitate the refinancing of SSMC's credit facility with Midcap, DASNY agreed to subordinate its mortgage lien on SECC's real property to Midcap. As of the Petition Date, the outstanding amount of the DASNY 2009 SSMC Loan was approximately $5,187 million.

On October 1, 2010, DASNY entered into a First Amended Reimbursement Agreement with MVH (the "MVH Amended Reimbursement Agreement"), which provided for the extension of a $2 million loan to MVH. The loan was in addition to a $500,000 loan previously issued to MVH under the first MVH Reimbursement Agreement, dated as of August 31, 2010. Following the execution of the MVH Amended Reimbursement Agreement, the aggregate principal amount of the MVH debt to DASNY was increased to $2.5 million. The funds loaned by DASNY under the MVH Amended Reimbursement Agreement were provided on an unsecured basis.

Finally, on August 14, 2012, DASNY and SSMC executed an additional reimbursement agreement (the "2012 SSMC Agreement"), pursuant to which DASNY loaned the amount of $2.9 million to SSMC for working capital purposes ("DASNY 2012 SSMC Loan"). As security for the DASNY 2012 SSMC Loan, DASNY was granted a second lien and security interest on the MVH Property and a lien on the proceeds of any HEAL NY Grants awarded to SSMC. As of the Petition Date, the outstanding balance of the DASNY 2012 SSMC Loan was approximately $2.92 million.

Under the provisions of the Sale Order, the Committee was granted certain challenge rights as to any secured debts sought to be assumed (or otherwise paid) by the Buyer under the Purchase Agreement. The 2012 Loan was among the secured debts sought to be assumed by the Buyer as part of the sale transaction. In connection with the Committee's challenge rights, $8,147,203 was put into escrow upon the closing of the sale on account of DASNY's secured claims that were proposed to be assumed by the Buyer. Thereafter, the Committee negotiated a settlement with DASNY providing for the Debtors to receive $1,550,000 of the funds in the escrow, with DASNY receiving the balance of the funds in the escrow. The settlement also provides for DASNY's proof of claim (Claim No. 969) to be disallowed and expunged. A stipulation and order regarding the foregoing settlement has been entered by the Court [Docket No. 705].

(3) **Hudson Valley Bank ("HVB")**. On April 6, 2004 and October 28, 2005, MVH procured two revolving lines of credit from HVB in the amounts of $2 million and $3 million respectively, which were consolidated into a single revolving line of credit (the "HVB Revolving Loan") in the aggregate amount of $5 million pursuant to a mortgage modification and extension agreement, dated as of October 28, 2005. As security for the HVB Revolving Loan, HVB was granted a first lien in the MVH real property, and a first lien on all of MVH's revenues, receipts, income, accounts, accounts receivables, inventory, personal property and general intangibles. As of the Petition Date, obligations under the HVB Revolving Loan were approximately $700,000.

(4) **Midcap Prepetition Loans**. Pursuant to a Credit and Security Agreement (the "Credit Agreement") dated April 8, 2011, Midcap Financial LLC ("Midcap Financial") made available to SSMC a $15 million revolving credit facility, secured by the hospital's accounts receivable (the "Prepetition Accounts"). Midcap Financial immediately assigned its rights and obligations as agent under the Agreement to Midcap Funding IV, LLC ("Midcap Funding" and together with Midcap Financial, "Midcap"). The Credit Agreement was thereafter modified on June 8, 2011 to add SECC as a borrower, increase the revolving credit commitment to $18 million (the "Prepetition Revolving Loans") and provide for grants of security interests in both

the SSMC and SECC accounts receivable. As of the Petition Date, the balance on the Prepetition Revolving Loan was approximately $16 million.

Simultaneously with the modification of the Credit Agreement, SECC and Midcap Financial entered into a Credit and Security Agreement and related Mortgage, Assignment of Leases and Rents and Security Agreement (collectively, the "Prepetition Term Loan Agreement"), pursuant to which Midcap extended SECC a $7 million term loan (the "Prepetition Term Loan") secured by a first priority mortgage lien (the "Midcap Prepetition Mortgage") on SECC's real property at 75 Glover Johnson Place, New Rochelle, NY (the "SECC Property"). As of the Petition Date, the outstanding principal balance of the Prepetition Term Loan Obligations was approximately $5.8 million.

(5) **Pension Benefit Guaranty Corporation ("PBGC")**

a. **SSMC Obligations**. Prior to the Petition Date, SSMC was the sponsor of the Cash Balance Retirement Plan for Employees of Sound Shore Medical Center of Westchester (the "SSMC Pension Plan") which was a defined benefit pension plan insured by the Pension Benefit Guaranty Corporation (the "PBGC") under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §§ 1301-1461, et seq. The SSMC Pension Plan was subject to the minimum funding requirements of ERISA and § 412 of the Internal Revenue Code.

SSMC failed to meet the terms of its minimum funding waiver under the SSMC Pension Plan for the 1995 and 1997 plan years. In order to secure its obligations to the SSMC Pension Plan for those amounts, SSMC granted the PBGC mortgage liens in the aggregate original principal amount of approximately $6.07 million encumbering certain parking lots (the "SSMC Lots") situated on the SSMC hospital campus (the "PBGC Lot Mortgages").

In 2003, SSMC was again unable to meet its minimum funding requirements under the SSMC Pension Plan and a voluntary distress termination of the plan ensued. On October 31, 2003, SSMC and the PBGC entered into a settlement agreement, as amended on December 31, 2008 (the "Settlement Agreement"), pursuant to which SSMC became obligated under a note to PBGC for termination payments aggregating approximately $15.820 million (the "Termination Settlement Amount"). The Settlement Agreement further contemplated that in addition to the lien on the SSMC Lots under the PBGC Lot Mortgages, the Termination Settlement Amount would be further secured by a subordinated security interest in the amount of $9.620 million on the SSMC hospital campus (the "PBGC Subordinated Lien"). However, it was ultimately determined that the PBGC Subordinated Lien was not perfected by the filing of a mortgage or other valid recording instrument and thus the $9.6 million balance remained unsecured. A stipulation and order regarding PBGC's claims with respect to the SSMC Pension Plan has been entered by the Court [Docket No. 706], with all secured claims having been satisfied.

b. **MVH Obligations.** On July 31, 2010, MVH terminated the Mount Vernon Hospital Employees' Retirement Plan (the "MVH Pension Plan"). On July 15, 2010, PBGC filed a Notice of Federal Lien under IRC Section 412(n) against the MVH real and personal property (the "PBGC MVH Lien") with respect to missed minimum funding contributions owed to the MVH Pension Plan. Upon commencement of these bankruptcy

proceedings, PBGC filed proofs of claim against MVH asserting claims respecting the MVH Pension Plan, including the assertion of a secured claim for approximately $4.032 million on account of the PBGC MVH Lien (the "MVH Pension Plan Claim") In connection with the Committee's challenge rights, $1,154, 456 was put into escrow upon the closing of the sale on account of the PBGC's secured claims that were proposed to be assumed by the Buyer. Thereafter, the Committee negotiated a settlement with the PBGC providing for the Debtors to receive $808,119.50 of the funds held in escrow, with the PBGC receiving the balance of the funds in the escrow, thereby satisfying PBGC's remaining secured claims. The settlement also addresses the PBGC's filed proofs of claims. A stipulation and order regarding the foregoing settlement has been entered by the Court [Docket No. 706].

(6) **Internal Revenue Service ("IRS")**. On April 16, 2013, the Internal Revenue Service ("IRS") filed a Notice of Federal Tax Lien against the property of MVH in the amount of $736,805.90 ("MVH Tax Lien"). The lien covered unpaid penalties relating to the late payment of §941 withholding taxes for the periods ending March 31, June 30 and September 30, 2012. The underlying tax and interest was paid prior to the Petition Date. In addition, subsequent to the filing of the MVH Tax Lien, the IRS issued a waiver of penalties which resolved all remaining amounts due under the MVH Tax Lien. Although no formal release of lien was issued by the IRS prior to the MVH bankruptcy filing, the underlying liability was satisfied and the lien was no longer of any force and effect as of the Petition Date.

On March 28, 2013, the IRS filed a Notice of Federal Tax Lien against the property of SSMC in the amount of $1,461,400 ("SSMC Tax Lien"). The lien covered unpaid penalties relating to the late payment of §941 withholding taxes for the periods ending March 31, June 30 and September 30, 2012. The underlying taxes and interest were fully paid prior to the Petition Date and a subsequent waiver of penalties was also issued following the Petition Date. As a result, the lien no longer remained in force and effect.

(7) **Other Judgments and Liens**. As of the Petition Date, various mechanics lien were also asserted as against SSMC and MVH. In addition, SEIU 1199, one of the Debtors' principal labor unions, had obtained multiple judgments against each of SSMC and MVH for unpaid contributions and benefit payments due the 1199 Funds. The judgments were recorded against SSMC and MVH real property. In aggregate, as of the Petition Date, 1199 asserted judgment liens on the SSMC and MVH real property in the amount of $6,083,497.19 and $4,156,460.01 respectively. The New York State Department of Labor, in turn, has recorded judgments against SSMC in the aggregate amount of $21,800 and against MVH in the aggregate amount of $117,670.

D. Sale Transaction

On May 29, 2013, after a period of extensive negotiations with Montefiore Medical Center and certain of its affiliates, the Debtors entered into a purchase agreement (the "Purchase Agreement") pursuant to which the Buyer agreed to purchase from the Debtors substantially all of the Debtors' real property and operating assets (the "Acquired Assets"), free and clear of liens, claims and encumbrances (except as expressly assumed) for aggregate consideration to the Debtors' estates in the amount of $54,000,000 plus the appraised value of Furniture, Equipment

and Inventory acquired by Buyer (the "Purchase Price")[3]. The total Purchase Price was comprised of: (a) assumption of specified Assumed Liabilities, (b) satisfaction of certain the Cure Amounts in an amount of up to $3 million, and (c) payment of amounts due under a guaranty issued in favor of Midcap, (d) assumption of the Assumed Employee Liabilities in an amount of up to $9,000,000; and (e) payment of cash in an amount equal to the balance of the Purchase Price. The Purchase Agreement was executed following the conclusion of an extensive marketing process and search by the Debtors' for a strong healthcare strategic partner or other affiliation for the Debtors, who might have an interest in coming into the downstate geographical market and have the financial strength to combine with, and improve the Debtors.

Despite the extensive and time consuming marketing process, the Purchase Agreement initially contemplated competitive bidding and designated the Buyer as the so-called stalking horse bidder. Shortly after the Committee's formation, the Debtors and the Committee's professionals conferred on the proposed sale transaction. An overriding interest of all of the parties was to ensure the sale and approval process be conducted as quickly as possible so as to curtail any continuing drain on estate assets caused by historical and continuing losses from operations. In furtherance of this goal, the Committee made a proposal to MMC and the Debtors that the Purchase Price under the Purchase Agreement be increased and certain other terms be modified in consideration for the Committee's agreement and support of a private sale of the Acquired Assets to Buyer, without competitive bidding. In that manner, the parties believed that the timing of sale approval process could be compressed, and steps therefore taken to save costs and preserve assets for the benefit of creditors. After extensive negotiations, the parties agreed that the Acquired Assets would be sold by private sale (the "Sale") in exchange for an increase in the proposed purchase price to $58.75 million and certain other modifications, including an increase to the amounts comprising the executory contract and unexpired lease cure amount cap.

A hearing to approve the proposed private sale was held on August 2, 2013 [Docket No. 259]. The Bankruptcy Court entered and Order approving the sale transaction (the "Sale Order") on August 8, 2013, subject to the rights of certain to the Debtors' unions to object to the Sale. A final order approving the private sale was thereafter entered on October 15, 2013 [Docket No. 381]. The closing (the "Closing") of the Sale was concluded on November 6, 2013.

In accordance with the provisions of the Sale Order, the sale and transfer of the Debtors' assets to Buyer was effected free and clear of all liens, claims, interests and other obligations (collectively, the "Liens"), with all such Liens being transferred to and attaching to the proceeds of the Sale. The majority of the Liens, to the extent undisputed, were satisfied through the sale proceeds at the Closing of the Sale. Specifically, the following payments were made at the Closing (or shortly thereafter) in satisfaction of the Debtors' secured claims:

(a) $10,043,805.65, in satisfaction of the Midcap/SSMC loan obligations;

(b) $695,840.32 in satisfaction of the Midcap/SECC loan obligations;

[3] The Debtors' and their advisors' efforts to dispose of their asset in a manner which would maximize value for the Debtors' estates were substantial. An extensive marketing effort was undertaken prior to the Debtors' bankruptcy filing with discussions being held with several suitors. Ultimately, the Buyer proved to be the only party with sufficient financial wherewithal to proceed with the transaction.

(c) $10,514,368.59 in satisfaction of the PBGC's pension benefit obligations;

(d) $3,653,514.33 in satisfaction of 1199SEIU's unpaid benefit obligations;

(e) $9,979,750.46 in satisfaction of the NorthMarq Capital (successor to Sun Life) loan obligations;

(f) $695,840.32 in satisfaction of the HVB loan obligations; and

(g) $6,597,203.00 in satisfaction of the DASNY loan obligations.

The Debtors have also largely satisfied their obligations to the holders of various mechanics and judgment liens. Only a small portion of the secured claims remain unpaid as of the date hereof. The Debtors anticipate that any remaining secured claims, to the extent not previously resolved and satisfied prior to confirmation, will be paid upon confirmation of the Plan.

III. SIGNIFICANT EVENTS DURING THE DEBTORS' CHAPTER 11 CASES

A. Overview of Chapter 11 and Commencement of Chapter 11 Cases

The following is a brief description of some of the major events that have occurred in the Chapter 11 Cases.

B. First Day Orders

On or shortly after the Petition Date, the Court entered various orders designed to minimize the disruption of the Debtors' business affairs and facilitate the orderly administration of the Debtors' cases. These included:

a. an order authorizing the Debtors to obtain postpetition secured superpriority financing and utilize cash collateral [Docket Nos. 39, 175];

b. an order authorizing the Debtors' payment of pre-petition employee wages, salaries and other compensation and maintenance of certain benefit programs [Docket Nos. 32, 146];

c. an order authorizing the Debtors to continue their workers compensation programs, insurance policies, bonds and all agreements related thereto, and pay all obligations in respect thereto [Docket Nos. 33, 144];

d. an order granting an extension of time for the Debtors to file (a) statements of financial affairs and (b) schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases [Docket No. 31];

e. an order enjoining utility providers from terminating service to the Debtors and establishing procedures for determining requests for additional adequate assurance [Docket No. 121];

f. an order authorizing the Debtors to maintain their cash management system and existing bank accounts, and to use existing business forms [Docket No. 34];

g. an order establishing procedures for the administration and management of the Debtors' cases, which was ultimately granted on a final basis [Docket Nos. 50, 146]; and

h. an order granting procedural consolidation of the Debtors' Chapter 11 cases and authorizing joint administration thereof [Docket No. 35].

C. Retention of Debtors' Professionals

In connection with the Cases, the Debtors obtained orders of the Court authorizing them to retain a number of professionals to assist them with conducting the Cases and various goals related thereto. These professionals are:

a. Garfunkel Wild, P.C. ("Garfunkel"), retained as bankruptcy and reorganization counsel [Docket No. 174];

b. GCG, Inc. ("GCG"), retained as claims, noticing and balloting agent [Docket No. 41];

c. Alvarez & Marsal, LLP ("A&M"), retained as financial advisor [Docket No. 145];

d. Garbarini & Scher, P.C. as Special Medical Malpractice Counsel [Docket No. 598].

D. Appointment of Creditors' Committee and Professionals

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors to represent the interests of the creditors in these cases. On June 10, 2013, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee"). The persons or entities appointed to the Committee were as follows:

Westchester County Health Care Corporation

Health/ROI

Ocean Side Institutional Industries, Inc.

New York State Nurses Association

1199SEIU National Benefit Fund for Health & Human Services Employees

1199SEIU Health Care Employees Pension Fund

The Committee has employed Alston & Bird LLP as its bankruptcy counsel [Docket No. 242] and Deloitte Financial Advisory Services LLP as its financial advisors [Docket No. 330]

through December 28, 2013 and thereafter Deloitte Transactions and Business Analytics LLP [Docket No. 620]. The Debtors have and continue to consult with the Committee on every important aspect of the case.

E. Use of Cash Collateral and Debtor in Possession Financing

On the Petition Date, the Debtors filed a motion seeking entry of an interim and final order granting approval for post-petition financing from Midcap Funding IV, LLC ("Midcap"). The financing was necessary to provide critical funding for the administration of the Debtors' cases as well as the wind down of the Debtors' operations. Under the proposed financing arrangement, it was contemplated that an aggregate amount not to exceed $33 million would be advanced to the Debtors by Midcap. The terms of the financing consisted of a $23 million revolving credit facility (the "DIP Revolving Facility"), provided by Midcap to the Debtors, pursuant to that certain Debtor in Possession Revolving Credit and Security Agreement, (the "DIP Revolving Loan Agreement") dated as of May 29, 2013, and a $10 million term loan (the "DIP Term Loan" and collectively with the Revolver, the "DIP Financing"), as further described in that certain Debtor in Possession Term Loan Credit and Security Agreement, dated as of July 18, 2013, (the "Term Loan Agreement", and together with the DIP Revolving Loan Agreement, the "DIP Documents").

The proposed DIP Revolving Facility was to operate in two stages. First, under the proposed Interim Order, and subject to the entry of the Final Order, the initial loans and advances, as limited by the terms of the DIP Revolving Loan Agreement, would be used to pay for the Debtors' working capital needs and operating requirements in accordance with a proposed Budget (attached to the Interim Order). Upon entry of the Final Order, any remaining availability under the DIP Revolving Facility, together with the proceeds of the DIP Term Loan, would be used first to repay the $16 million principal balance of the Prepetition Revolving Loan and the balance was made available for the Debtors' use, subject to the provisions of the DIP Documents

The DIP Revolving Loan Agreement and Term Loan Agreement were the product of intensive negotiations between the Debtors, Midcap, the Buyer, and each party's respective counsel. On May 31, 2013, the Court entered an interim order, which among other things, (i) authorized the Debtors to incur post-petition indebtedness (the "DIP Facility") with administrative superpriority and secured by senior liens on substantially all assets pursuant to Subsections 364(c) and (d) of the Bankruptcy Code, (ii) authorizing the Debtors to utilize cash collateral pursuant to Section 363 of the Bankruptcy Code and (iii) granting adequate protection (the "Interim DIP Financing Order") [Docket No. 39]. The Interim DIP Financing Order authorized the Debtors to (i) borrow $23 million from Midcap and utilize Midcap's cash collateral and (iii) grant Midcap a superpriority administrative expense claim and first priority and senior lien with respect to all borrowings under the DIP Facility, all on an interim basis, pending a final hearing on the DIP Facility.

Thereafter, the parties continued to negotiate and ultimately executed the Term Loan agreement in addition to the DIP Agreement. On July 17, 2013, the Court entered an order approving these agreements and the DIP Facility on a final basis (the "Final DIP Financing Order") [Docket No. 175]. Pursuant to the Final DIP Financing Order, the Debtors were

authorized to borrow up to $33 million from Midcap (inclusive of the $23 million described in the above paragraph). The DIP Facility provided the Debtors with the funding necessary to ensure that the Debtors were able to fund their postpetition operating requirements and preserve and maintain their properties and the infrastructure of their businesses pending the sale of their assets.

All amounts owed by the Debtors and outstanding to Midcap under the DIP Facility were repaid in full, and the DIP Facility was terminated with respect to Midcap.

F. The Patient Care Ombudsman

On June 21, 2013, the U.S. Trustee appointed Daniel T. McMurray of Focus Management Group USA Inc. to serve as the patient care ombudsman required by 11 U.S.C. 333(a)(1) (the "PCO") to monitor the Debtors' quality of patient care and to represent the interests of the Debtors' patients. The PCO retained Neubert Pepe & Monteith, P.C. ("Neubert") as his counsel. On August 8, 2013, an Order was entered approving the employment and retention of Neubert as the PCO's counsel [Docket No. 263].

Throughout these cases the Debtors have cooperated with the PCO in his efforts to monitor and evaluate patient care and safety at the Debtors' facilities. Following the sale of their assets, the Debtors also coordinated the their efforts to effectuate a safe transition of their operations to the Buyer with the input of the PCO, including proper noticing of the sale to existing and former patients and the appropriate storage of patient records as a part thereof. The PCO filed a report regarding same on December 20, 2013 [Docket No. 503], in which he generally found the quality of patient care and transition efforts to have been effected in a professional manner. The Debtors and counsel to the PCO are currently working on a consensual stipulation and order by and among the Debtors, the U.S. Trustee and the Committee to discharge the PCO from his responsibilities. When that stipulation is finalized, it will submitted to the Court for its approval.

G. The Records Retention Agreement

In the course of the Debtors' provision of health care services, the Debtors generated a large volume of patient medical records, including paper, films and electronic data records (the "Patient Records"). Under various federal and state laws, the Debtors have obligations with respect to the long-term storage and provision of the Patient Records to patients upon receipt of appropriate requests. In order to provide for the discharge of these obligations in accordance with the requirements of law, the Debtors entered into an agreement with MetalQuest, Inc. ("MetalQuest"), pursuant to which MetalQuest agreed to retain the Patient Records and fulfill appropriate requests therefor. In a motion dated December 2, 2013 [Docket No. 468], the Debtors sought Court approval of this agreement. The Court entered an order approving same on December 13, 2013 [Docket No. 489]. Thereafter, the Debtors completed the transfer of the Patient Records to MetalQuest.[4]

[4] As part of the sale transaction, all Patient Records (other than records for ancillary services) for patients seen at the facility during the two (2) year period immediately prior to the Closing Date were transferred to Buyer.

H. Claims Process and Bar Dates

On June 28, 2009, the Debtors filed their schedules of assets and liabilities and statements of financial affairs with the Court [Docket Nos. 125-137] (the "Schedules"), which set forth, among other things, amounts the Debtors believe they owe to various parties. In order to induce all parties that wish to assert claims against the Debtors to inform the Debtors of such claims and to foreclose the possibility that any party could assert a claim beyond a certain date, the Debtors requested that the Court establish a deadline for the filing of any pre-petition claims against the Debtors. On July 25, 2013, the Court entered an order (the "General Bar Date Order") setting September 16, 2013 at 4:00 p.m. (Prevailing Eastern Time) as the general bar date for creditors of the Debtors' estates to file proofs of claim relating to the pre-petition period (the "General Bar Date") and November 25, 2013 at 5:00 p.m. (prevailing Eastern Time) for governmental units to file proofs of claim against the estates [Docket No. 194]. The Bar Date Order provides, except as set forth therein, that any holder of a pre-petition Claim that fails to file a timely proof of claim on or before the Bar Date shall not be permitted to vote to accept or reject any plan of liquidation or to participate in any distribution in the Cases on account of such Claim.

Following the closing of the sale transaction, the Debtors requested that the Court establish a deadline for the filing of all administrative claims against the Debtors, incurred from and after the Petition Date of May 29, 2013, through the date of the closing of the sale on November 6, 2013. By Order dated December 13, 2013 (the "Administrative Bar Date Order"), the Court established January 31, 2014 (the "Administrative Bar Date") as the deadline for the filing of all Administrative Claims against the Debtors [Docket No. 490]. The Administrative Bar Date Order also provides, that except as set forth therein, any holder of an administrative claim against the Debtors who fails to file a timely administrative claim form on or before the Administrative Bar Date shall not be permitted to vote to accept or reject any plan of liquidation or to participate in any distribution in the Cases on account of such Claim.

As of the date hereof, more than 5010 filed and scheduled claims have been asserted against the Debtors' Estates with an aggregate asserted liability exceeding $1.3 billion. The claims assert varying levels of priority including administrative, secured, unsecured priority and general unsecured. A preliminary review of the claims indicates approximately 397 claims are seeking administrative priority for a purported aggregate liability of $100,152,343. A total of 93 claims have been filed as secured claims with a purported liability of $174,227,371. An additional 248 claims have been filed as unsecured priority claims with a total asserted liability of $287,532,325. Approximately 731 claims have been filed as general unsecured claims asserting total liabilities of $654,078,844.

After a preliminary review of such Claims and a comparison thereto to their books and records, the Debtors believe that the foregoing claims include, among other things, invalid, overstated, duplicative, misclassified and/or otherwise objectionable claims and that many of such Claims will be eliminated after giving effect to the substantive consolidation provisions of the Plan. Thus, the Debtors believe that the foregoing Claim amounts are overstated and the allowed amounts will be sufficiently reduced such that the Plan is confirmable.

I. Center for Medicare and Medicaid Services Administrative Expense Claim

The Debtors were participants in the Medicare program (the "Medicare Program") under provider agreements (the "Provider Agreements") executed by the Debtors with the Centers for Medicare & Medicaid Services ("CMS"). The Medicare Program is administered by CMS, in conjunction with the United States Department of Health and Human Services ("HHS"). In connection with the Medicare Program, the Secretary of HHS contracts with certain Medicare Administrative Contractors (MACs) to administer payments to providers for services covered by Medicare. The MACs make payments to providers on an interim basis based on claims or other data submitted by such providers. Following the submission of annual cost reports, the interim payments are subsequently reconciled with actual amounts payable to the providers. Based on their participation in the Medicare Program, the Debtors, on the average, received approximately $1.45 million per week (the "Medicare Funds") on account of their participation in the Medicare Program.

As part of the sale transaction, the Debtors and Buyers sought to assume and assign the Debtors' Provider Agreements and related provider numbers to the Buyers so as to ensure the continued payment of Medicare Funds for ongoing services provided by the Buyers following the sale. However, at the time of the sale, several of the Debtors' cost reports relating to the Provider Agreements had not completed or processed. In order to facilitate the assignment of the Provider Agreements to Buyers and determine the full extent of the Debtors' liabilities to CMS, CMS agreed to close the open cost reports years. In exchange, the Debtors agreed to pay to CMS the amount of $4,897,563 from the sale proceeds to satisfy, in full, the Debtors' known liabilities to CMS through December 31, 2012.

Subsequently, and also in furtherance of the sale transaction, the Debtors entered into an agreement with the New York State Attorney General Medicaid Fraud Control Unit ("MFCU"), the New York State Department of Health ("DOH") and the New York State Office of the Medicaid Inspector General ("OMIG") to resolve claims held by the state entities with respect to amounts owed by the Debtors in connection with the New York Health Care Reform Act, indigent care pool liabilities and the Medicaid Disproportionate Share Hospital(DSH) audits (the "Medicaid Liabilities"). Under the parties' agreement, the Debtors agreed to submit required surveys and filings to DOH in conformance with the applicable timelines established by DOH and remain jointly liable with the Buyer for the payment of the Medicaid Liabilities. In exchange, the DOH agreed to limit all liability for the repayment of the Medicaid Claims in an amount not to exceed $3,000,000 (the "Liability Cap") and waive any rights that DOH, MFCU or OMIG might otherwise have to file claims against the Debtors' estate for amounts in excess of the Liability Cap.

J. NYSNA Objection to Sale Motion

As a part of the Debtors' efforts to resolve major outstanding issues and make progress in the resolution of their Cases, the Debtors, through their professionals, negotiated extensively with the New York State of Nurses Association ("NYSNA"), who represented the Debtors' employees and had objected to the proposed sale transaction. NYSNA had sought to condition the sale order upon the Buyers' assumption of the Debtors' collective bargaining agreement with NYSNA (the "NYSNA CBA") and all related obligations thereunder. Following a hearing on

the issue before the Bankruptcy Court, a supplemental Sale Order was entered by the Court on October 15, 2013 [Docket No. 381] which confirmed the Sale Order and authorized the Debtors to sell their assets to the Buyers, free and clear of any obligations of the Debtors under the NYSNA CBA.

K. Executory Contracts and Unexpired Leases

As of the Petition Date, the Debtors were party to numerous executory contracts (*e.g.* employment contracts, service agreements and equipment leases) and leases of non-residential real property. The Debtors, in consultation with their professionals, determined which contracts and leases should be rejected, especially in the initial months of the case, in order to preserve the value of the estates and avoid accrual of unnecessary administrative expenses. The Debtors gained Court approval [Docket Nos. 525 and 526] of two motions to reject certain agreements, preventing the dimunition of estate assets in cases where administrative liability was accruing with respect thereto. In addition, the Debtors gained Court approval [Docket No. 487] of a motion to establish certain rejection procedures which allowed the Debtors to reject executory contracts expeditiously. As part of this process, the Debtors also consulted with the Buyer to determine which executory contracts would be necessary for the Buyer's operation of the Debtors' facilities following the closing of the sale and thus should be assumed by the Debtors and assigned to Buyers. Throughout the process, the Debtors have also worked cooperatively with the counterparties to the executory contracts and leases to manage any issues arising from the Debtors' decisions to reject or assign any agreements.

L. Medical Malpractice/Personal Injury Claims

Prior to the Petition Date, the Debtors and certain of the Debtors' current and former employees (the "Medical Professionals") were party to approximately 100 pending litigations based in negligence, malpractice and/or personal injury (collectively, the "Malpractice/Personal Injury Actions"). In order to streamline and facilitate the resolution of the Malpractice/Personal Injury Actions, the Debtors implemented a claims resolution process (the "Mediation Procedures"), as approved by the Order of the Bankruptcy Court entered on October 29, 2013 [Docket No. 402], to resolve all malpractice and negligence claims (the "Medical Malpractice/Personal Injury Claims") against the Debtors and the Covered Medical Professionals, including any potential indemnification claims that could be asserted by the Medical Professionals as against the Debtors. Under the proposed Mediation Procedures, it was contemplated that the Debtors and the holders of the Medical Malpractice/Personal Injury Claims would first attempt to settle, rather than litigate, the Medical Malpractice/Personal Injury Claims through a Court-imposed mediation process. The Mediation Procedures also provided claimants with the option to resolve a Medical Malpractice/Personal Injury Claim by entering into and filing with the Court a stipulation with the Debtors, modifying the automatic stay to permit such claimant to liquidate his or her Medical Malpractice/Personal Injury Claim in a forum outside of this Court, but limiting all recovery solely to any available insurance coverage, or by withdrawing such claim. In addition, the Mediation Procedures permitted the Debtors, in their discretion and after consultation with the Committee, to offer any Medical Malpractice/Personal Injury Claimant a cash payment of up to $5,000.00 in full and final settlement and satisfaction of his or her Medical Malpractice/Personal Injury Claim against the Debtors or the Covered Medical Professionals.

To ensure the proper implementation of the Mediation Procedures, it was necessary for the Debtors to hire professionals who were familiar with malpractice and negligence litigation and could thus assist in the administration and oversight of the mediation process. On January 20, 2014, the Debtors filed an application to employ Garbarini & Scher, P.C. ("Garbarini") as their special medical malpractice counsel. Pursuant to the terms of their retention, Garbarini was to advise the Debtors with respect to the resolution of the Medical Malpractice/Personal Injury Claims, including but not limited to, assisting the Debtors in estimating their aggregate liability and advising the Debtors on the overall implementation of the claims resolution program. On February 4, 2014, the Court entered an order [Docket No. 598] approving the retention of Garbarini as the Debtors' special medical malpractice counsel. Pursuant to their retention order, Garbarini has since been assisting the Debtors in resolving the open Medical Malpractice/Personal Injury Claims and was responsible for representing the Debtors' interests in the context of the mediation of the Medical Malpractice/Personal Injury Claims. The Plan Administrator intends to retain Garbarini to continue providing services after the Effective Date, in the event any additional post Effective Date mediations are required.

IV. OVERVIEW OF THE PLAN

A. General

The following is a summary intended as a brief overview of the Plan and is qualified in its entirety by reference to the full text of the Plan, a copy of which is annexed hereto as Exhibit A. Holders of Claims and Interests are respectfully referred to the relevant provisions of the Bankruptcy Code and are encouraged to review the Plan and this Disclosure Statement with their counsel.

In general, a Chapter 11 liquidating plan of reorganization must (i) divide claims and interests into separate categories and classes, (ii) specify the treatment that each category and class is to receive under such plan, and (iii) contain other provisions necessary to implement the liquidation of a debtor. A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims or interests in certain classes are to remain unchanged by the liquidation effectuated by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims or interests in such "unimpaired" classes. Pursuant to Section 1124(1) of the Bankruptcy Code, a class of claims or interests is "impaired," and entitled to vote on a plan, unless the plan "leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest." 11 U.S.C. §1124(1).

B. Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims and interests of a debtor's creditors and interest holders into classes containing claims or interests that are substantially similar to other claims or interest in such class. Thus, the Plan

divides the holders of Claims and Interests into 4 unclassified categories and 4 Classes, and sets forth the treatment offered to each Class.[5]

For the holder of a Claim to participate in a plan of reorganization and receive the treatment offered to the class in which it is classified, its Claim must be "Allowed." Under the Plan, "Allowed," with reference to any Claim, means: (a) such Claim is scheduled by the Debtors pursuant to the Bankruptcy Code and Bankruptcy Rules in a liquidated amount and not listed as contingent, unliquidated, zero, undetermined or disputed, or (b) a proof of such Claim was timely filed, or deemed timely filed; and, in either case, has not been previously satisfied and (x) is not objected to within the period fixed by the Bankruptcy Code, the Bankruptcy Rules, the Plan, and/or applicable Final Orders of the Court, (y) has been settled pursuant to either Section 4.5 of the Plan or Mediation Procedures, or (z) has otherwise been allowed, or in respect of Medical Malpractice/Personal Injury Claims estimated, by a Final Order. An "Allowed Claim" shall be net of any valid setoff or recoupment amount based on a valid setoff or recoupment right.

C. Treatment of Claims and Interests Under the Plan

The Plan segregates the various Claims against, and Interests in, the Debtors into the following categories: Administrative Claims, Priority Tax Claims, Professional Fee Claims and U.S. Trustee Fees; and the following Classes: Class 1 Secured Claims, Class 2 Other Priority Claims, Class 3 Unsecured Claims and Class 4 Interests.

Under the Plan, Claims in Classes 1 and 2 are unimpaired, Claims in Class 3 are Impaired, and Interests in Class 4 are Impaired. The treatment accorded to the Impaired Classes of Claims and Interests under the Plan represents the best treatment that can be provided to such Classes pursuant to the priority provisions of the Bankruptcy Code. Set forth below is a summary of the Plan's treatment of the various categories and Classes of Claims and Interests. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern.

UNCLASSIFIED CATEGORIES OF CLAIMS

Under the provisions of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, Professional Fee Claims and U.S. Trustee Fees are not properly classified. They must be paid in full as a condition of confirmation.

a. Administrative Claims

[5] While the Debtors believe that their classification of all Claims and Interests is in compliance with the provisions of Section 1122 of the Bankruptcy Code, it is possible that a holder of a Claim or Interest may challenge the Debtors' classification scheme and the Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtors, to the extent permitted by the Court, to modify the Plan to provide for whatever reasonable classification might be required by the Court for Confirmation, and to use the acceptances received by the Debtors from any holder of a Claim or Interest pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such holder of a Claim or Interest is ultimately deemed to be a member.

Supplemental Administrative Claims Bar Date. Except as provided below for (1) Professionals requesting compensation or reimbursement for Professional Fee Claims, and (2) U.S. Trustee Fees, requests for payment of Administrative Claims, for which a Bar Date to file such Administrative Claim was not previously established, must be filed no later than forty-five (45) days after occurrence of the Effective Date, or such later date as may be established by Order of the Court. **Holders of Administrative Claims who are required to file a request for payment of such Claims and who do not file such requests by the applicable Bar Date, shall be forever barred from asserting such Claims against the Debtors or their property, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Administrative Claim.**

Estimation of Administrative Claims. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to seek to estimate any unliquidated Administrative Claims, if the fixing or liquidation of such Administrative Claim would unduly delay the administration of and distributions under the Plan (including seeking to estimate Post Petition indemnification, medical malpractice or personal injury Claims in the District Court.

Treatment. Each holder of an Allowed Administrative Claim, in full and complete satisfaction, release and settlement of such Allowed Claim, shall receive Cash from the Remaining Cash in an amount equal to such Allowed Administrative Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, or otherwise payable, unless such holder shall agree to a different and less favorable treatment of such Claim. After the Effective Date, the Plan Administrator may, in the ordinary course of business, satisfy any liabilities, expenses and other Claims incurred by the Plan Administrator in the ordinary course of business and without further order of the Court. The Debtors estimate that Allowed Administrative Claims that remain to be satisfied will total approximately $4.7 million.

b. Priority Tax Claims

Treatment. Unless the holder thereof shall agree to a different treatment, each holder of an Allowed Priority Tax Claim, in full and complete satisfaction of such Allowed Claim, shall receive, payment in Cash from the Remaining Cash in an amount equal to such Allowed Priority Tax Claim on or as soon as reasonably practicable after the later of (a) the Effective Date and (b) the date on which such Claim becomes Allowed. The Debtors estimate that Allowed Priority Tax Claims that remain to be satisfied will total approximately $850,000.

c. Professional Fee Claims

Professional Fee Claims Bar Date. All final applications for payment of Professional Fee Claims for the period through and including the Effective Date shall be filed with the Court and served on the Plan Administrator and the other

parties entitled to notice pursuant to the Interim Compensation and Reimbursement Procedures Order [Docket No. 148] on or before the Professional Fee Claims Bar Date, or such later date as may be agreed to by the Plan Administrator. Any Professional Fee Claim that is not asserted in accordance with Section 2.4(a) of the Plan shall be deemed Disallowed under the Plan and the holder thereof shall be enjoined from commencing or continuing any Cause of Action, employment of process or act to collect, offset, recoup or recover such Claim against the Estates or any of their respective Assets or property.

Treatment. Each holder of an Allowed Professional Fee Claim shall be paid in Cash from the Remaining Cash in an amount equal to such Allowed Professional Fee Claim on or as soon as reasonably practicable after the first Business Day following the date upon which such Claim becomes Allowed by Final Order, unless such holder shall agree to a different treatment and less favorable treatment of such Claim. The Debtors estimate that, as of the Effective Date, the Allowed Professional Fee Claims that will remain to be satisfied will total approximately $700,000.

Post Effective Date Services. The fees and expenses of Professionals retained by the Plan Administrator on and after the Effective Date shall be paid by the Plan Administrator upon receipt of invoice(s) therefor, or on such other terms as the Plan Administrator and the applicable professional may agree to, without the need for further Court authorization or entry of a Final Order. If the Plan Administrator and the Professional cannot agree on the amount of Post Effective Date fees and expenses to be paid to such Professional, such amount shall be determined by the Court.

d. U.S. Trustee Fees

The Debtor shall pay all United States Trustee quarterly fees under 28 U.S.C. §1930(a)(6), plus interest due and payable under 31 U.S.C. §3717, if any, on all disbursements, including Plan payments and disbursements in and outside the ordinary course of the Debtor's business, until the entry of a final decree, dismissal of the case or conversion of the case to Chapter 7..

UNIMPAIRED CLASSES OF CLAIMS

A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims or interests in certain classes are to remain unchanged by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims or interests in such "unimpaired" classes. Under the Plan, Class 1 Secured Claims and Class 2 Other Priority Claims are unimpaired and, therefore, are deemed to have accepted the Plan.

e. Class 1 – Secured Claims.

Composition. Class 1 consists of Allowed Secured Claims. For convenience of identification, the Plan describes Allowed Secured Claims in Class 1 as a single

Class. Class 1 consists of separate subclasses, each based on the underlying property securing such Allowed Secured Claim, and each subclass is treated under the Plan as a distinct Class for treatment and distribution purposes and for all other purposes under the Bankruptcy Code. The Debtors estimate that Allowed Secured Claims that remain to be satisfied will total approximately $332,000.

Treatment. To the extent not previously assumed or satisfied from proceeds of the sale, each holder of an Allowed Secured Claim shall receive, in full and complete satisfaction of such Claim, one of the following alternative treatments, at the election of the Plan Administrator: (a) payment in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes due and payable by its terms; (b) the legal, equitable and contractual rights to which such Claim entitles the holder, unaltered by the Plan; (c) the treatment described in Section 1124(2) of the Bankruptcy Code; or (d) all collateral securing such Claim, without representation or warranty by or recourse against the Debtors. To the extent that the value of the Collateral securing each Allowed Secured Claim is less than the amount of such Allowed Secured Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as a General Unsecured Claim and shall be classified as such. Class 1 is an Unimpaired Class and is deemed to have accepted the Plan.

f. Class 2 – Other Priority Claims.

Composition. Class 2 consists of Allowed Other Priority Claims. The Debtors estimate that Allowed Other Priority Claims that remain to be satisfied will total approximately $300,000.

Treatment. Each holder of an Allowed Other Priority Claim, in full and complete satisfaction release and settlement of such Claim, shall be paid in full in Cash in an amount equal to its Allowed Other Priority Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder shall agree to a different and less favorable treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such holder).

IMPAIRED CLASSES

Pursuant to Section 1124 of the Bankruptcy Code, a class of claims or interests is impaired unless the legal, equitable, and contractual rights of the holders of claims or interests in such class are not modified or altered by a plan. Holders of allowed claims and interests in impaired classes that receive or retain property under a plan of reorganization are entitled to vote on such plan. Under the Plan, Class 3 is impaired and is entitled to vote on the Plan. Under the Plan, Class 4 is Impaired and is deemed to reject the Plan because holders of Interests are not receiving or retaining any property.

g. Class 3 – Unsecured Claims.

Composition. Class 3 consists of Allowed Unsecured Claims including, without limitation, Allowed Medical Malpractice/Personal Injury Claims which arose prior to the Petition Date. The Debtors estimate that Allowed Unsecured Claims will total approximately $118 million to $126 million.

Treatment. The holders of Allowed Unsecured Claims, in full and complete satisfaction of such Allowed Claims, shall from time to time receive Pro Rata distributions of Cash from the Net Proceeds.

Special Provisions Regarding the Liquidation and Treatment of Medical Malpractice/Personal Injury Claims: With respect to holders Medical Malpractice/Personal Injury Claims, pursuant to the Mediation Procedures:

(i) To the extent the Stay Modification Option was not previously exercised, each holder of a Medical Malpractice/Personal Injury Claim for which a proof of claim was timely filed (or deemed timely filed), may elect to be granted relief from the automatic stay imposed under section 362(a) of the Bankruptcy Code, the injunction imposed by the Mediation Order and/or any plan injunction, as applicable, in order to litigate such holder's Medical Malpractice/Personal Injury Claim in state court provided that, if such election is made, any recovery on account of such Medical Malpractice/Personal Injury Claim shall be limited solely to available insurance, if any, and such holder shall not receive any distribution on account of such claim from the Debtors or from the Estate of such Debtors. Each holder of a Medical Malpractice/Personal Injury Claim that asserts a claim against any Covered Medical Professional for claims that would entitle such Covered Medical Professionals to an Indemnification Claim may not make this election unless such holder affirmatively elects to either release such Covered Medical Professional from any liability or look only to available insurance with respect to such Covered Medical Professional prior to pursuing such election.

(ii) Any holder of a Medical Malpractice/Personal Injury Claim, for which a proof of claim was timely filed (or deemed timely filed), who neither elected the Stay Modification Option nor elects the treatment under Section 4.5(a) of the Plan, shall have such holder's Medical Malpractice/Personal Injury Claim Allowed or Disallowed pursuant to the Mediation Procedures, which procedures shall remain in place after the Effective Date. If the Mediation Procedures do not result in an Allowed Medical Malpractice/Personal Injury Claim, such claim shall be estimated by the District Court pursuant to section 502(c) of the Bankruptcy Code together with any vicarious or other liability the Debtors may have related to such Claim.

(iii) The holders of Allowed Medical Malpractice/Personal Injury Claims, whether estimated by the District Court or liquidated through the Mediation Procedures, in full and final satisfaction, release and settlement of such Allowed Claims, shall receive, as applicable either (x) the treatment afforded under the Plan for Administrative Claims, to the extent such claim is determined to be an Allowed Administrative Claim, or (y) the treatment afforded under the Plan for

Class 3 Unsecured Claims, to the extent such claim is determined to be an Allowed Unsecured Claim. The Mediation Order shall remain in full force and effect, until all Medical Malpractice/Personal Injury Claims have been Allowed or Disallowed as the case may be pursuant to the Mediation Procedures, estimated by the District Court or an agreement as to the aggregate cap on the Medical Malpractice/Personal Injury Claim shall have been reached between the Plan Administrator and the holder of such Claim.

(iv) If the holder of a Medical Malpractice/Personal Injury Claim elects the treatment under Section 4.5(a) to have the automatic stay and any relevant injunctions lifted, such election will be binding on such holder regardless of whether Class 3 accepts the Plan, provided that the Plan is confirmed and the Effective Date occurs. In addition, nothing contained in the Plan shall alter, modify, limit or impair the provisions of those heretofore "So Ordered" stipulations and orders lifting the automatic stay, resolving litigation claims and limiting recoveries to available insurance; such stipulations will remain in full force and effect and control the disposition of the Medical Malpractice/Personal Injury Claims subject to those stipulations.

(v) Nothing in the Plan shall be deemed to be an assumption of any insurance policy or contract and the Debtors do not waive, and expressly reserve, their rights to assert that any insurance coverage is property of the Estates to which they are entitled. Nothing in Section 4.5 of the Plan is intended to, shall, or shall be deemed to preclude any holder of an Allowed Medical Malpractice/Personal Injury Claim from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors.

(vi) The Plan shall not expand the scope, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including, without limitation, the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted in any proof of claim or the Debtors rights and defenses to such proofs of claim.

h. Class 4 – Interests

Composition. Class 4 consists of Interests.

Treatment. On the Effective Date, all Interests shall be cancelled and extinguished. Holders of Interests shall not receive or retain any property on account of such Interests.

D. Implementation of the Plan and Plan Administrator

(1) Implementation of the Plan. The Plan will be implemented by the Plan Administrator in a manner consistent with the terms and conditions set forth in the Plan and the Confirmation Order.

(2) Appointment of the Plan Administrator. On the Effective Date, the monetization of the Debtors' remaining assets and causes of actions and distributions to creditors shall become the general responsibility of the Plan Administrator. The Confirmation Order shall provide for the appointment of the Plan Administrator. The compensation for the Plan Administrator shall be $160 per hour. The Plan Administrator shall be deemed the Estates' representative in accordance with Section 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified under Sections 704 and 1106 of the Bankruptcy Code. The Plan Administrator shall be required to obtain and maintain a bond in an amount equal to one hundred and ten percent (110%) of Remaining Cash. As Remaining Cash is reduced through distributions and payments by the Plan Administrator and/or additional Cash comes into the Estates, the Plan Administrator shall, at the appropriate time, adjust the amount of the bond to an amount equal to at least 110% of the amount of Cash in the Estates.

(3) Duties of the Plan Administrator. The Plan Administrator will act for the Debtors in a fiduciary capacity as applicable to a board of directors, subject to the provisions of the Plan. On the Effective Date, the Plan Administrator shall succeed to all of the rights of the Debtors with respect to the Assets necessary to protect, conserve, abandon and liquidate all Assets as quickly as reasonably practicable, including, without limitation, control over (including the right to waive) all attorney-client privileges, work-product privileges, accountant-client privileges and any other evidentiary privileges relating to the Assets that, prior to the Effective Date, belonged to the Debtors pursuant to applicable law. The powers and duties of the Plan Administrator shall generally include the rights:

(i) to invest Cash in accordance with section 345 of the Bankruptcy Code, and withdraw and make Distributions of Cash to holders of Allowed Claims and pay taxes and other obligations owed by the debtors or incurred by the Plan Administrator in connection with the wind-down of the Estates in accordance with the Plan;

(ii) to receive, manage, invest, supervise, and protect the Estate Assets, including paying taxes or other obligations incurred in connection with the Estate Assets;

(iii) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), to engage attorneys, consultants, agents, employees and all professional persons, to assist the Plan Administrator with respect to the Plan Administrator's responsibilities;

(iv) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), to pay the fees and expenses for the attorneys, consultants, agents, employees and professional persons engaged by the Plan Administrator and the Post Effective Date Committee

and to pay all other expenses for winding down the affairs of the Debtors in accordance with the terms of the Plan,

(v) to execute and deliver all documents, and take all actions, necessary to consummate the Plan and wind-down the Debtors' business;

(vi) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), to dispose of, and deliver title to others of, or otherwise realize the value of all the remaining Assets;

(vii) to coordinate the collection of outstanding accounts receivable;

(viii) to coordinate the storage and maintenance of the Debtors' books and records;

(ix) to oversee compliance with the Debtors' accounting, finance, regulatory and reporting obligations;

(x) to prepare monthly operating reports and financial statements and United States Trustee quarterly reports;

(xi) to oversee the filing of final tax returns, audits and other corporate dissolution documents if required;

(xii) to perform any additional corporate actions as necessary to carry out the wind-down and liquidation of the Debtors;

(xiii) to communicate regularly with and respond to inquiries from the Post Effective Date Committee and its professionals, including providing to the Post Effective Date Committee regular cash budgets, information on all disbursements on a monthly basis, and copies of bank statements on a monthly basis;

(xiv) subject to Section 9.1 of the Plan, to object to Claims against the Debtors;

(xv) subject to Section 9.2(b) of the Plan, to compromise and settle Claims against the Debtors;

(xvi) to act on behalf of the Debtors in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), then pending or that can be commenced in the Court and in all actions and proceedings pending or commenced elsewhere, and to settle, retain, enforce or dispute any adversary proceedings or contested matters (including, without limitation, any Causes of Action) and otherwise pursue actions involving Assets of the Debtors that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise specifically waived or relinquished in the Plan; provided, however, that settlements by the Plan Administrator of Causes of Action shall be subject

to the approval of the Post Effective Date Committee, which approval shall not be unreasonably withheld, or further Order of the Court;

(xvii) with the approval of the Post Effective Date Committee, abandon any Assets without the need for additional approval of the Court, and upon such abandonment, such Assets shall cease to be Assets of the Estate;

(xviii) to implement and/or enforce all provisions of the Plan;

(xix) to implement and/or enforce any continuing agreements entered into prior to the Effective Date; and

(xx) such other powers as may be vested in or assumed by the Plan Administrator pursuant to the Plan or Bankruptcy Court Order or as may be necessary and proper to carry out the provisions of the Plan.

E. Post Effective Date Committee.

a. On the Effective Date, the Committee shall continue as the Post Effective Date Committee. The Post Effective Date Committee shall be comprised of the members of the Committee, unless any particular member thereof opts not to be a member thereof. If a member of the Post Effective Date Committee resigns or is removed, a replacement who holds an Unsecured Claim against the Debtors may be appointed by the remaining members of the Post Effective Date Committee. The duties and powers of the Post Effective Date Committee shall terminate upon the closing of the Cases. The Post Effective Date Committee's role shall be to consult with the Plan Administrator, and to perform the functions set forth in the Plan.

b. The Post Effective Date Committee shall have the power and authority to utilize the services of its counsel and financial advisor as necessary to perform the duties of the Post Effective Date Committee and to authorize and direct such Persons to act on behalf of the Post Effective Date Committee in connection with any matter requiring its attention or action. The Plan Administrator shall pay the reasonable and necessary fees and expenses of the Post Effective Date Committee's counsel and financial advisor without the need for Court approval.

c. Except for the reimbursement of reasonable, actual costs and expenses incurred in connection with their duties as members of the Post Effective Date Committee, the members of the Post Effective Date Committee shall serve without compensation. Reasonable expenses incurred by members of the Post Effective Date Committee may be paid by the Plan Administrator without need for Court approval.

d. The Plan Administrator shall report all material matters to the Post Effective Date Committee.

F. Distributions

(1) Plan Distributions. The Plan Administrator shall make distributions to holders of Allowed Claims in accordance with Article IV of the Plan on or as soon as reasonably practicable after the Effective Date. From time to time, in consultation with the Post Effective Date Committee, the Plan Administrator shall make Pro Rata distributions to holders of Allowed Class 3 Claims in accordance with Article IV of the Plan. Notwithstanding the foregoing, the Plan Administrator may retain such amounts (i) as are reasonably necessary to meet contingent liabilities (including Disputed Claims) and to maintain the value of the assets of the Estates during liquidation, (ii) to pay reasonable administrative expenses (including the costs and expenses of the Plan Administrator and the Post Effective Date Committee and the fees, costs and expenses of all professionals retained by the Plan Administrator and the Post Effective Date Committee, and any taxes imposed in respect of the Assets), (iii) to satisfy other liabilities to which the Assets are otherwise subject, in accordance with the Plan, and (iv) to establish any necessary reserve. All distributions to the holders of Allowed Claims shall be made in accordance with the Plan.

The Plan Administrator may withhold from amounts distributable to any Person any and all amounts determined in the Plan Administrator's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Holders of allowed Claims shall, as a condition to receiving distributions, provide such information and take such steps as the Plan Administrator may reasonably require to ensure compliance with withholding and reporting requirements and to enable the Plan Administrator to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

(2) Cash Distributions. The Plan Administrator shall not be required to make interim or final Cash distributions in an amount less than $5.00. Any funds so withheld and not distributed on an interim basis shall be held in reserve and distributed in subsequent distributions to the extent the aggregate distribution exceeds $10,000. Should a final distribution to any holder of an Allowed Claim not equal or exceed $5.00, that sum shall be distributed to other holders of Allowed Claims in accordance with the Plan.

(3) Delivery of Plan Distributions. All distributions under the Plan on account of any Allowed Claims shall be made at the address of the holder of such Allowed Claim as set forth in a filed Proof of Claim or on the register on which the Plan Administrator records the name and address of such holders or at such other address as such holder shall have specified for payment purposes in a written notice to the Plan Administrator at least fifteen (15) days prior to such distribution date. In the event that any distribution to any holder is returned as undeliverable, the Plan Administrator shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Plan Administrator has determined the then-current address of such holder, at which time such distribution shall be made to such holder without interest; provided, however, that such undeliverable or unclaimed distributions shall become Unclaimed Property at the expiration of one hundred eighty (180) days from the date such distribution was originally made. The Plan Administrator shall reallocate the Unclaimed Property for the benefit of all other holders of Allowed Claims in accordance with the Plan, provided, however, if the Plan Administrator determines, with the approval of the Post Effective Date Committee, that the administrative costs of distribution effectively interfere with distribution or that all creditors, including administrative claimants,

have been paid in full and there is no one that has a right to the funds, such remaining Unclaimed Property shall be donated to the American Bankruptcy Institute Endowment Fund, a not-for-profit, non-religious organization dedicated to, among other things, promoting research and scholarship in the area of insolvency.

(4) Distributions to Holders as of the Confirmation Date. As of the close of business on the Confirmation Date, the claims register shall be closed, and there shall be no further changes in the record holders of any Claims. Neither the Debtors nor the Plan Administrator, as applicable, shall have any obligation to recognize any transfer of any Claims or Interests occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Section 6.1 of the Plan) with only those holders of record as of the close of business on the Confirmation Date.

(5) Windup. After (a) the Plan has been fully administered, (b) all Disputed Claims have been resolved, (c) all Causes of Action have been resolved, and (d) all Assets have been reduced to Cash or abandoned, the Plan Administrator shall effect a final distribution of all Cash remaining (after reserving sufficient Cash to pay all unpaid expenses of administration of the Plan and all expenses reasonably expected to be incurred in connection with the final distribution) to holders of Allowed Claims in accordance with the Plan.

G. Substantive Consolidation of the Debtors

Substantive consolidation is an equitable remedy that a bankruptcy court may be asked to apply in Chapter 11 cases involving affiliated debtors. Substantive consolidation involves the pooling and merging of the assets and liabilities of the affected debtors. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored. Substantive consolidation of two or more debtors' estates generally results in the deemed consolidation of the assets and liabilities of the debtors, the deemed elimination of intercompany claims, multiple and duplicative creditor claims, joint and several liability claims and guaranties, and the payment of allowed claims from a common fund.

The Plan provides for substantive consolidation of all of the Debtors. On the Effective Date: (a) all Assets (and all proceeds thereof) and liabilities of each Debtor shall be deemed merged or treated as though they were merged into and with the assets and liabilities of the other Debtors, (b) no distributions shall be made under the Plan on account of intercompany Claims among the Debtors and all such Claims shall be eliminated, (c) all guarantees of the Debtors of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors, (d) each and every Claim filed or to be filed in any of the Cases shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against and obligation of the consolidated Debtors, and (e) for purposes of determining the availability of the right of set-off under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one

entity so that, subject to the other provisions of Section 553 of the Bankruptcy Code, debts due to any of the Debtors may be set-off against the debts of the other Debtors. Such substantive consolidation shall not (other than for purposes related to the Plan) affect the legal and corporate structures of the Debtors. Notwithstanding anything in Section 7.1 of the Plan to the contrary, all Post Effective Date U.S. Trustee Fees pursuant to 28 U.S.C. § 1930 shall be calculated on a separate legal entity basis for each Debtor.

Substantive consolidation of the Debtors' Estates is warranted in these cases. Substantive consolidation is an equitable remedy designed to carry out the chief purpose of the Bankruptcy Code – the equitable treatment of all creditors. Under controlling authority, substantive consolidation is appropriate where one of the following two factors exists: (1) creditors transacted with affiliated entities as a single economic unit and did not rely on their separate identity in extending credit or (2) the affairs of affiliated entities are so entangled that consolidation will benefit all creditors of those entities. *See Union Sav. Bank v. Augie/Restivo Baking Co. (In re Augie/Restivo Baking Co.)*, 860 F.2d 515, 518 (2d Cir. 1988). The facts and circumstances of Debtors' business operations and insolvency proceedings satisfy both alternative factors of this test. The Debtors' creditors effectively dealt with the Debtors as a single economic entity. Substantive consolidation of the assets and liabilities of the Debtors is therefore appropriate and necessary to ensure the equitable treatment of the Debtors' creditors.

H. Executory Contracts and Unexpired Leases

(1) Assumption or Rejection of Executory Contracts. Effective on and as of the Confirmation Date, all Executory Contracts and are specifically deemed rejected, except for any Executory Contract (a) that has been specifically assumed or assumed and assigned by the Debtors on or before the Confirmation Date with the approval of the Court, (b) in respect of which a motion for assumption or assumption and assignment has been filed with the Court on or before the Confirmation Date, or (c) that is specifically designated as a contract to be assumed on a schedule to the Plan or Plan Supplement.

(2) Approval of Assumption or Rejection of Executory Contracts. Entry of the Confirmation Order by the Clerk of the Court, but subject to the condition that the Effective Date occur, shall constitute (a) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption or assumption and assignment of the Executory Contracts assumed or assumed and assigned pursuant to Section 8.1 of the Plan, and (b) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the Executory Contracts rejected pursuant to Section 8.1 of the Plan.

(3) Bar Date for Filing Proofs of Claim Relating to Executory Contracts Rejected Pursuant to the Plan. Claims against the Debtors arising out of the rejection of Executory Contracts pursuant to the Plan must be filed with the Court no later than forty-five (45) days after the later of service of (a) notice of entry of an order approving the rejection of such Executory Contract, and (b) notice of occurrence of the Effective Date. Any such Claims not filed within such time shall be forever barred from assertion against the Debtors and any and all of their respective properties and Assets.

(4) Compensation and Benefit Programs. To the extent not previously terminated, all employment and severance agreements and policies, and all employee compensation and benefit plans, policies and programs of the Debtors applicable generally to their respective current employees or officers as in effect on the Confirmation Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans and life, accidental death and dismemberment insurance plans, shall be terminated as of the Confirmation Date.

I. Provisions for Resolving and Treating Claims

(1) Prosecution of Disputed Claims. Except as otherwise provided in the Plan, the Plan Administrator shall have the right to object to all Claims on any basis, including those Claims that are not listed in the Schedules, that are listed therein as disputed, contingent, and/or unliquidated, that are listed therein at a lesser amount than asserted by the respective Creditor, or that are listed therein for a different category of claim than asserted by the respective Creditor. Subject to further extension by the Court for cause with or without notice, the Plan Administrator may object to the allowance of Class 3 Claims up to one hundred eighty (180) days after the Effective Date, the allowance of Administrative/Priority Claims and Secured Claims up to the later of (i) sixty (60) days after the Effective Date or (ii) the deadline for filing an objection established by order of the Court; provided, however, that an objection to a Claim based on Section 502(d) of the Bankruptcy Code may be made at any time in any adversary proceeding against the holder of any relevant Claim. The filing of a motion to extend the deadline to object to any Claims shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such motion to extend the deadline to object to Claims is denied by the Bankruptcy Court, such deadline shall be the later of the current deadline (as previously extended, if applicable) or 30 days after the Bankruptcy Court's entry of an order denying the motion to extend such deadline. From and after the Effective Date, the Plan Administrator shall succeed to all of the rights, defenses, offsets, and counterclaims of the Debtors and the Committee in respect of all Claims, and in that capacity shall have the power to prosecute, defend, compromise, settle, and otherwise deal with all such objections, subject to the terms of the Plan.

(2) Settlement of Disputed Claims. Pursuant to Bankruptcy Rule 9019(b), subject to paragraph 9.2(b) of the Plan and any Final Order approving the Mediation Procedures, the Plan Administrator may settle any Disputed Claim (or aggregate of Claims if held by a single Creditor), respectively, without notice, a Court hearing or Court approval. Alternatively, the Plan Administrator may seek Court approval of the proposed settlement upon expedited notice and a hearing.

The Plan Administrator is required to give notice to the Post Effective Date Committee of (i) a settlement of any Disputed Class 3 Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Disputed Class 3 Claim(s) being Allowed in an amount in excess of $100,000, (ii) a settlement of any Disputed Administrative/Priority Claims, or (iii) settlement of any Disputed Secured Claims. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the

expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the objecting party shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice. Alternatively, the Plan Administrator may seek Court approval of the proposed settlement upon expedited notice and a hearing. Settlements of Medical Malpractice/Personal Injury Claims shall be in accordance with the Mediation Procedures previously approved by the Bankruptcy Court.

(3) No Distributions Pending Allowance. Notwithstanding any provision in the Plan to the contrary, no partial payments and no partial distributions shall be made by the Plan Administrator with respect to any portion of any Claim against the Debtors if such Claim or any portion thereof is a Disputed Claim. In the event and to the extent that a Claim against the Debtors becomes an Allowed Claim after the Effective Date, the holder of such Allowed Claim shall receive all payments and distributions to which such holder is then entitled under the Plan.

J. Conditions to Confirmation and Effectiveness of the Plan

(1) Conditions to Confirmation. The following conditions are conditions precedent to Confirmation of the Plan unless waived by the Plan Proponents pursuant to Section 10.3 of the Plan: (i) the Confirmation Order must be in a form and substance reasonably acceptable to the Plan Proponents and the Committee, and (ii) the Confirmation Order shall:

a. authorize the appointment of all parties appointed under or in accordance with the Plan, including, without limitation, the Plan Administrator, and direct such parties to perform their obligations under such documents;

b. approve in all respects the transactions, agreements, and documents to be effected pursuant to the Plan;

c. authorize the Plan Administrator and Post Effective Date Committee to assume the rights and responsibilities fixed in the Plan;

d. approve the releases and injunctions granted and created by the Plan;

e. order, find, and decree that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith; and

f. except as otherwise specifically provided in the Plan, order that nothing in the Plan operates as a discharge, release, exculpation, or waiver of, or establishes any defense or limitation of damages to, any Claim or Cause of Action belonging to the Estates.

(2) Conditions to Effective Date. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 10.3 of the Plan:

a. the Confirmation Date shall have occurred and the Confirmation Order, in a form consistent with the requirements of Section 10.1 of the Plan, shall have become a Final Order;

b. the Plan Administrator shall have been appointed;

c. all actions, documents and agreements necessary to implement the provisions of the Plan shall be reasonably satisfactory to the Plan Proponents, and such actions, documents, and agreements shall have been effected or executed and delivered;

d. all documents to be contained in the Plan Supplement shall be completed and in final form and, as applicable, executed by the parties thereto and all conditions precedent contained in any of the foregoing shall have been satisfied or waived by the Plan Proponents;

e. all other actions required by the Plan to occur on or before the Effective Date shall have occurred.

K. Modification, Revocation or Withdrawal of the Plan

(1) Modification of Plan. The Plan Proponents may alter, amend or modify the Plan pursuant to Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to substantial consummation of the Plan, the Plan Proponents may, so long as the treatment of holders of Claims against the Debtors or Interests under the Plan is not adversely affected, institute proceedings in Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002 or as the Court shall otherwise order.

(2) Revocation or Withdrawal of Plan. The Plan Proponents reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date. If the Plan Proponents revoke or withdraw the Plan prior to the Effective Date, then the Plan shall be deemed null and void, and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

L. Injunction, Releases and Exculpation

a. **Injunction. Except as otherwise expressly provided in the Plan including, without limitation, the treatment of Claims against and Interests in the Debtors, the entry of the Confirmation Order shall, provided that the Effective Date shall have occurred, operate to enjoin permanently all Persons that have held, currently hold or may hold a Claim against or Interest in the Debtors, from taking**

any of the following actions against the Debtors, the Plan Administrator, the Committee or members thereof, the Post-Effective Date Committee or members thereof, present and former directors, officers, trustees, agents, attorneys, advisors, members or employees of the Debtors, or any of their respective successors or assigns, or any of their respective assets or properties, on account of any Claim against or Interest in the Debtors: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind with respect to a Claim against or Interest in the Debtors; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim against or Interest in the Debtors; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim against or Interest in the Debtors; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any Debt, liability or obligation due to the Debtors or their property or Assets with respect to a Claim against or Interest in the Debtors; and (e) proceeding in any manner in any place whatsoever that does not conform to or comply with or is inconsistent with the provisions of the Plan; provided, however, nothing in this injunction shall preclude the holder of a Claim against the Debtors from pursuing any applicable insurance after the Cases are closed, from seeking discovery in actions against third parties or from pursuing third-party insurance that does not cover Claims against the Debtors; provided further, however, nothing in this injunction shall limit the rights of a holder of an Allowed Claim against the Debtors to enforce the terms of the Plan.

b. **Covered Medical Professionals Injunction. Except as otherwise provided in the Plan, upon the Effective Date, all Persons are permanently enjoined from commencing or continuing any medical malpractice or related action against any Covered Medical Professional, and/or from enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against a Covered Medical Professional with respect to any such actions, *provided however*, that such injunction shall not extend to recoveries against any available insurance. In exchange for this injunction, each Covered Medical Professional shall be deemed to waive any Indemnification Claim, and any potential or asserted Claims against the Debtors and their Estates, administrative or otherwise, related to, or arising in connection with, the Debtors alleged obligation to purchase or provide medical malpractice insurance and/or any related extended reporting period coverage, provided that the waiver of the Indemnification Claims and other claims hereunder shall not impair the injunction in this Section of the Plan and neither the waiver of the Indemnification Claims or other claims, nor this injunction shall release the obligations of any insurance company to defend a Covered Medical Professional under an otherwise applicable insurance policy.**

c. **Releases. Upon (x) the Effective Date, (i) each Person that receives and retains a distribution under the Plan, (ii) each Person who obtains a release under the Plan or obtains the benefit of an injunction provided pursuant to the Plan, and (iii) each Person who received any benefit from any third party insurance**

providers on account of a Claim against the Debtors or a claim against any Covered Medical Professional, in consideration therefor, conclusively, absolutely, unconditionally, irrevocably and forever releases and discharges each of the Debtors and their present and former directors, officers, trustees, agents, attorneys, advisors, and members (solely in their capacity as such), and (y) the D&O Release Effective Date (which is 11:59 p.m. prevailing eastern time on November 6, 2014, the last time by which the Debtors, the Plan Administrator, the Committee or the Post Effective Date Committee must assert (including, but not limited to, by providing notice to the insurance carrier), if at all, a D&O Claim against any of the Debtors Release Parties so as to be covered under the Debtors' officers and directors insurance policy, the Debtors conclusively, absolutely, unconditionally, irrevocably and forever release and discharge each of the Debtors Release Parties: of and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may have heretofore accrued, occurring from the beginning of time to and including the Effective Date or, with respect to the Debtors Release Parties, the D&O Release Effective Date, related in any way to, directly or indirectly, and/or arising out of and/or connected with, any or all of the Debtors and their Estates, the Cases, the Debtors' pre-petition financing arrangements, the Debtors financial statements, the Debtors' debtor in possession financing facility or the failure of any person or entity to maintain malpractice insurance, provide funding for a self-insurance trust for medical malpractice claims, or cause the Debtors to cease operations (including any such claims based on theories of alleged negligence, misrepresentation, nondisclosure or breach of fiducially duty); *provided, however*, that (i) nothing contained in Section 13.2 of the Plan or elsewhere in the Plan shall release any of the Debtors Release Parties from any D&O Claim which is asserted (including, but not limited to, by providing notice to the insurance carrier) by either the Debtors, the Plan Administrator, the Committee or the Post Effective Date Committee on or before the D&O Release Effective Date; (ii) recovery on any D&O Claim shall be limited to the proceeds of available insurance, if any, and shall not be payable from any other assets of the Debtors Release Parties; (iii) nothing in Section 13.2(a) of the Plan shall release, limit or affect Avoidance Actions of the Debtors; (iv) Section 13.2(a) of the Plan shall not affect the liability of any Person due to willful misconduct, gross negligence or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct, as determined by a Final Order; (v) nothing in Section 13.2(a) of the Plan shall operate or be a release by any Professional Persons of any

Professional Fee Claims; and (vi) nothing in Section 13.2(a) of the Plan shall release, limit or affect the Debtors' and/or the Plan Administrators' obligations under the Plan. For the avoidance of doubt, Section 13.2(a)(x) of the Plan shall not release, limit or affect Causes of Action of the Debtors.

d. **Releases by Holders of Claims and Interests. To the greatest extent permissible by law and except as otherwise provided in the Plan, as of the Effective Date, each holder of a Claim against or Interest in the Debtors shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged each of the Debtors, the Committee, the Patient Care Ombudsman and their respective present directors, officers, trustees, agents, attorneys, advisors, members and employees of (solely in their capacity as such) and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may have heretofore accrued against the Debtors, the Committee, the Patient Care Ombudsman or their respective present directors, officers, trustees, agents, attorneys, advisors, members or employees (solely in their capacity as such) occurring from the beginning of time to and including the Effective Date, related in any way to, directly or indirectly, and/or arising out of and/or connected with, any or all of the Debtors and their Estates, or the Cases; *provided, however*, that Section 13.2(b) of the Plan shall not affect the liability of any Person due to willful misconduct or gross negligence as determined by a Final Order. Nothing contained in Section 13.2(b) of the Plan shall be deemed to release or impair Allowed Claims against the Debtors, which Allowed Claims against the Debtors shall be treated as set forth in the Plan. For the avoidance of doubt, nothing in Section 13.2(b) of the Plan shall release, limit or affect Causes of Action of the Debtors.**

e. **Exculpation. None of (i) Garfunkel Wild, P.C., in its capacities as counsel to the Debtors or counsel to the Plan Administrator; (ii) Alvarez and Marsal, in its capacity as the Debtors' financial advisor; (iii) the Debtors' trustees, in-house counsel, officers and directors (in their capacities as such); (iv) the Plan Administrator and its representatives (in their capacities as such); (v) the Committee and the Post Effective Date Committee; (vi) the members of the Committee and the members of the Post Effective Date Committee, in their capacities as members of the Committee and as members of the Post Effective Date Committee; (vii) Alston & Bird LLP, in its capacities as counsel to the Committee and as counsel to the Post Effective Date Committee; (viii) Deloitte Financial**

Advisory Services LLP and Deloitte Transactions and Business Analytics LLP, in their capacity as financial advisor to the Committee; (ix) Deloittee Transactions and Business Analytics LLP, in its capacity as financial advisor to the Post Effective Date Committee; (x) Polsky Advisors LLC, in its capacities as financial advisor to the Committee and as financial advisor to the Post Effective Date Committee; (xi) Daniel T. McMurray in his capacity as the Patient Care Ombudsman appointed in these Cases; (xii) Focus Management Group USA, Inc., in its capacity as consultants to the Patient Care Ombudsman; or (xiii) Neubert, Pepe & Monteith, P.C., in its capacity as counsel to the Patient Care Ombudsman, shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Cases, the formulation, preparation, dissemination, implementation, confirmation, or approval of the Plan, the administration of the Plan or the property to be distributed under the Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; provided, however, that (i) nothing in Section 13.3 of the Plan shall affect the liability of any Person that would result from any such act or omission to the extent that act or omission is determined by a Final Order of the Court to have constituted willful misconduct, gross negligence or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct; and in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and shall be fully protected from liability in acting or refraining to act in accordance with such advice; (ii) nothing contained in Section 13.3 of the Plan shall exculpate any of the Debtors Release Parties from any D&O Claim which is asserted by either the Debtors, the Plan Administrator, the Committee or the Post Effective Date Committee on or before the D&O Release Effective Date; provided that recovery on any D&O Claim shall be limited to the proceeds of available insurance, if any, and shall not be payable from any other assets of the Debtors Release Parties; (iii) nothing in Section 13.3 of the Plan shall release, limit or affect Avoidance Actions of the Debtors; and (iv) nothing in Section 13.3 of the Plan shall release, limit or affect the Debtors' and/or the Plan Administrators' obligations under the Plan.

f. Indemnification. The Plan Administrator and the members of the Post Effective Date Committee shall be indemnified and receive reimbursement against and from all loss, liability, expense (including counsel fees) or damage which the Plan Administrator or the members of the Post Effective Date Committee may incur or sustain in the exercise and performance of any of their respective powers and duties under the Plan, to the full extent permitted by law, except if such loss, liability, expense or damage is finally determined by a court of competent jurisdiction to result solely from the Plan Administrator's or the Post Effective Date Committee member's willful misconduct, fraud, intentional misconduct or gross negligence. The amounts necessary for such indemnification and reimbursement shall be paid by the Plan Administrator out of the Cash held by the Plan Administrator under the Plan. The Plan Administrator shall not be personally liable for this indemnification obligation or the payment of any expense of administering the Plan or any other liability incurred in connection with the Plan, and no person shall look to the Plan Administrator personally for the payment of any such expense or liability. This indemnification shall survive the death, resignation or removal,

as may be applicable, of the Plan Administrator and/or the members of the Post Effective Date Committee, and shall inure to the benefit of the Plan Administrator's and the Post Effective Date Committee members' and their respective successors, heirs and assigns, as applicable.

g. Preservation and Application of Insurance. The provisions of the Plan, including without limitation the release and injunction provisions contained in the Plan, shall not diminish or impair in any manner the enforceability and/or coverage of any insurance policies (and any agreements, documents, or instruments relating thereto) that may cover Claims (including Medical Malpractice/Personal Injury Claims) against the Debtors, any directors, trustees or officers of the Debtors, or any other Person, other than as expressly as set forth herein. For the avoidance of doubt, and as set forth in the Plan, all of the Debtors' insurance policies, or third party policies whether or not the Debtors are named as additional insured parties, and the proceeds thereof shall be available to holders of Medical Malpractice/Personal Injury Claims to the extent such insurance policies cover such Medical Malpractice/Personal Injury Claims. In addition, such insurance policies and proceeds thereof shall be available to holders of Medical Malpractice/Personal Injury Claims for the purpose of satisfying Medical Malpractice/Personal Injury Claims estimated pursuant to section 502(c) of the Bankruptcy Code or in accordance with the Plan.

h. **Cause of Action Injunction. On and after the Effective Date, all Persons other than the Plan Administrator and, to the extent applicable pursuant to Section 5.11 of the Plan, the Post Effective Date Committee will be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of, or respecting any, Claim, debt, right or Cause of Action that the Plan Administrator retains authority to pursue in accordance with the Plan.**

V. ACCEPTANCE AND CONFIRMATION OF THE PLAN

The following is a brief summary of the provisions of the Bankruptcy Code respecting acceptance and confirmation of a plan of reorganization. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys and tax advisors.

A. Acceptance of the Plan

The Bankruptcy Code defines acceptance of a plan by a class of Claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the allowed Claims of that Class that have actually voted or are deemed to have voted to accept or reject a plan.

If one or more impaired Classes rejects the Plan, the Debtors may, in their discretion, nevertheless seek confirmation of the Plan if the Debtors believe that they will be able to meet the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are set forth below), despite lack of acceptance by all impaired Classes.

B. Confirmation

(1) Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the bankruptcy court, after notice, to hold a hearing on confirmation of a plan. Notice of the Confirmation Hearing respecting the Plan has been provided to all known holders of Claims and Interests or their representatives, along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and the Local Rules of the Court, must set forth the name of the objectant, the nature and amount of Claims or Interests held or asserted by the objectant against the Debtors' Estates or property, and the basis for the objection and the specific grounds in support thereof. Such objection must be filed with the Court, with a copy forwarded directly to the Chambers of the Honorable Robert D. Drain, United States Bankruptcy Court, together with proof of service thereof, and served upon (a) counsel to the Debtors, Garfunkel Wild, P.C., 111 Great Neck Road, Great Neck, New York 11021 (Attn: Burton S. Weston, Afsheen A. Shah and Adam T. Berkowitz); (b) counsel to the Committee, Alston & Bird LLP, 90 Park Avenue, New York, New York 10016 (Attn: Craig E. Freeman); and (c) the Office of the United States Trustee, 271 Cadman Plaza East, Suite 4529, Brooklyn, New York 11201 (Attn: Susan D. Golden and William E. Curtin), so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

(2) Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Debtors will request that the Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If so, the Court shall enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

1. The Plan must comply with the applicable provisions of the Bankruptcy Code;

2. The Debtors must have complied with the applicable provisions of the Bankruptcy Code;

3. The Plan has been proposed in good faith and not by any means forbidden by law;

4. Any payment made or promised to be made by the Debtors under the Plan for services or for costs and expenses in, or in connection with, the Cases, or in connection with the Plan and incident to the Cases, has been disclosed to the Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Court as reasonable;

5. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of each

of the Debtors under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy, and the Debtors have disclosed the identity of any insider that the reorganized Debtors will employ or retain, and the nature of any compensation for such insider;

6. Best Interests of Creditors Test. With respect to each Class of Impaired Claims or Interests, either each holder of a Claim or Interest of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim or Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have either been paid in full or payment in full is provided for: (i) first to secured creditors (to the extent of the value of their collateral), (ii) next to administrative and priority creditors, (iii) next to unsecured creditors, (iv) next to debt expressly subordinated by its terms or by order of the Court and (v) last to holders of Interests. The starting point in determining whether the Plan meets the "best interests" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors' remaining assets in the context of a Chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including a Chapter 7 trustee's fees, and the fees and expenses of professionals retained by a Chapter 7 trustee. The potential Chapter 7 liquidation distribution in respect of each class must be further reduced by the costs imposed as a result of the delay that would be caused by conversion of the Chapter 11 Cases to cases under Chapter 7. For the reasons set forth above, the Debtors submit that holders of Class 3 Claims will receive under the Plan a recovery greater in value to the recovery such holders would receive pursuant to a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. Holders of Class 4 Interests are receiving the same recovery as they would receive in a Chapter 7 liquidation.

7. Each class of Claims or Interests has either accepted the Plan or is not impaired under the Plan;

8. At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class;

9. Feasibility. Section 1129(a)(11) of the Bankruptcy Code provides that a Chapter 11 plan may be confirmed only if the Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. Since the Plan provides for the liquidation of the Debtors, the Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet their post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Cases. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

(3) Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. If any impaired classes reject or are deemed to have rejected the Plan, the Debtors reserve their right to seek the application of the statutory requirements set forth in Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan despite the lack of acceptance by all impaired classes.

Section 1129(b) of the Bankruptcy Code provides that notwithstanding the failure of an impaired class to accept a plan of reorganization, the plan shall be confirmed, on request of the proponent of the plan, in a procedure commonly known as "cram-down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or interests that is impaired under and has not accepted the plan.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of secured claims includes the requirements that (a) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan, and (b) each holder of a secured claim in the class receive deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of unsecured claims includes the requirement that either (a) such class receive or retain under the plan property of a value as of the effective date of the plan equal to the allowed amount of such claim, or (b) if the class does not receive such amount, no class junior to the non-accepting class will receive a distribution under the plan or retain any property.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of interests includes the requirements that either (a) the plan provides that each holder of an interest in such class receive or retain under the plan, on account of such interest, property of a value, as of the effective date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such interest, or (b) if the class does not receive such amount, no class of interests junior to the non-accepting class will receive a distribution under the plan or retain any property. Since no class of interest junior to Class 4, which is deemed to have rejected the Plan, will receive a distribution or retain any property on account of such Interests, the Debtors have satisfied the requirements of Section 1129(b) of the Bankruptcy Code with respect to such class.

VI. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain of the material U.S. federal income tax consequences expected to result from the implementation of the Plan. The following summary does not address the U.S. federal income tax consequences to holders whose claims are entitled to payment in full in Cash under the Plan (e.g., holders of Allowed Administrative Claims, Priority Tax Claims and Professional Fee Claims). This discussion is based on current

provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service ("IRS"). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought. Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to, among others, the Debtors and the holders of Claims.

The following summary is for general information only. The U.S. federal income tax consequences of the Plan are complex and subject to significant uncertainties. This summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address all of the U.S. federal income tax consequences of the Plan. This summary also does not purport to address the U.S. federal income tax consequences of the Plan to taxpayers subject to special treatment under the U.S. federal income tax laws, such as broker-dealers, tax exempt entities, financial institutions, insurance companies, S corporations, small business investment companies, mutual funds, regulated investment companies, foreign corporations, and non-resident alien individuals.

EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POTENTIAL U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN TO SUCH HOLDER BASED ON ITS PARTICULAR CIRCUMSTANCES.

IRS Circular 230 Notice: To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained in this Disclosure Statement is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the IRC and (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement.

A. U.S. Federal Income Tax Consequences to the Debtor.

The Debtors are exempt from U.S. federal income tax pursuant to Section 501 of the IRC. Accordingly, the Debtors do not believe that the implementation of the Plan, including the extinguishment of the Debtors' outstanding indebtedness pursuant to the Plan, will result in any material tax liability to the Debtors.

B. U.S. Federal Income Tax Consequences to Holders of Class 3 Claims.

(1) Gain or Loss Recognized. Except with respect to a Claim (or portion thereof) for accrued but unpaid interest (discussed below) or certain Medical Malpractice/Personal Injury Claims (discussed below), for U.S. federal income tax purposes, each holder of an Allowed Claim arising under, related to or in connection with the Class 3 Unsecured Claims generally should recognize gain or loss as a result of receiving a Distribution pursuant to the Plan equal to the difference between (i) the amount of Cash received by such holder and (ii) the adjusted tax basis of such holder's Allowed Claim. The amount and timing of such gain or loss may be

affected by the resolution of Disputed Claims. The character of any gain or loss as long-term or short-term capital gain or loss or ordinary income or loss will depend on a number of factors, including: (i) the nature and origin of the Claim (e.g., Claims arising in the ordinary course of a trade or business or made for investment purposes); (ii) the tax status of the holder of the Claim; (iii) whether the Claim is a capital asset in the hands of the holder; (iv) whether the Claim has been held by the holder for more than one year; (v) the extent to which the holder previously claimed a loss or a bad debt deduction with respect to the Claim; and (vi) the extent to which the holder acquired the Claim at a discount. For a discussion of the tax consequences associated with a Claim for accrued but unpaid interest, if any, see Section B.2. --"Receipt of Interest" below.

Distributions, if any, received by a holder of a Medical Malpractice/Personal Injury Claim that are attributable to, and compensation for, such holder's personal injuries or sickness, within the meaning of section 104 of the IRC, generally should be nontaxable.

(2) Receipt of Interest.

The Plan does not address the allocation of the aggregate consideration to be distributed to holders between principal and interest. Treasury Regulations can be read to support a contention that all consideration distributed to a holder should be treated as interest income to the extent of accrued interest, and there can be no assurance that the IRS will respect the allocation of consideration under the Plan.

In general, to the extent that any amount of consideration received by a holder is treated as received in satisfaction of unpaid interest that accrued during such holder's holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income and not otherwise exempt from U.S. federal income tax). Conversely, a holder may be allowed a bad debt deduction to the extent any accrued interest was previously included in its gross income but subsequently not paid in full. However, the IRS may take the position that any such loss must be characterized based on the character of the underlying obligation, such that the loss will be a capital loss if the underlying obligation is a capital asset.

C. Withholding and Reporting.

The Debtors and, after the Effective Date, the Plan Administrator will withhold all amounts required by law to be withheld from payments to holders of Allowed Claims. For example, under U.S. federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to backup withholding at the then applicable rate (currently 28%). Backup withholding generally applies only if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in overpayment of tax. Certain persons are exempt from backup withholding, including corporations and financial institutions.

Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. The types of transactions that require disclosure are very broad; however, there are numerous exceptions which may be applicable to a holder.

The foregoing summary has been provided for informational purposes only. All holders of Claims are urged to consult their tax advisors concerning the U.S. federal, state, local and foreign tax consequences applicable under the Plan.

VII. RISK FACTORS

HOLDERS OF ALL CLASSES OF CLAIMS AND INTERESTS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. Certain Bankruptcy Related Considerations

(1) Risk of Non-Confirmation of the Plan

Although the Debtors believe that the Plan will satisfy all requirements necessary for Confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. There can also be no assurance that modifications of the Plan will not be required for Confirmation, that any negotiations regarding such modifications would not adversely affect the holders of the Allowed Claims or that any such modifications would not necessitate the re-solicitation of votes.

(2) Nonconsensual Confirmation

In the event any impaired class of claims or interests does not accept a plan of reorganization, a bankruptcy court may nevertheless confirm such plan of reorganization at the proponent's request if at least one impaired class has accepted the plan of reorganization (with such acceptance being determined without including the acceptance of any "insider" in such class) and, as to each impaired class which has not accepted the plan of reorganization, the bankruptcy court determines that the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to non-accepting impaired classes. In the event that any impaired Class of Claims fails to accept the Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, the Debtors reserve the right to request nonconsensual Confirmation of the Plan in accordance with Section 1129(b) of the Bankruptcy Code. Since Class 4 (Interests) is deemed to reject the Plan, the Debtors will seek nonconsensual Confirmation of the Plan in accordance with Section 1129(b) of the Bankruptcy Code in the event at least one Impaired Class of Claims accepts the Plan.

(3) Risk that Conditions to Effectiveness Will Not Be Satisfied

Article X of the Plan contains certain conditions precedent to the effectiveness of the Plan. There can be no assurances that the conditions contained in Article X of the Plan will be satisfied.

(4) Claims Objection/Reconciliation Process and Success of Avoidance Actions

The Debtors' estimate of the potential recovery to holders of Class 3 Claims depends on the outcome of the claims reconciliation and objection process, as well as the success in prosecuting Avoidance Actions. Therefore, the Debtors' estimates could change and such

change could be material. Thus, there is no guarantee that the actual recovery to holders of Class 3 Claims will approximate the Debtors' estimates.

VIII. RESERVATION OF CAUSES OF ACTION OF THE DEBTORS

The Plan Administrator may pursue all reserved rights of action, including, without limitation, Causes of Action of the Debtors. Any distributions provided for in the Plan and the allowance of any Claim for the purpose of voting on the Plan is and shall be without prejudice to the rights of the Plan Administrator to pursue and prosecute any reserved rights of action. Except as otherwise set forth in the Plan, all Causes of Action of the Debtors shall survive confirmation of the Plan and the commencement and prosecution of Causes of Action of the Debtors shall not be barred or limited by res judicata or any estoppel, whether judicial, equitable or otherwise. In reviewing the Plan and this Disclosure Statement, Creditors (including Creditors who received payments or transfers from the Debtors within ninety (90) days prior to the Petition Date and insiders who received payments or transfers from the Debtors within one (1) year prior to the Petition Date) and other parties should consider that Causes of Action of the Debtors may exist against them and, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtors and authorizes the Plan Administrator to prosecute same. If the Plan Administrator does not prosecute a Cause of Action of the Debtors, the Post Effective Date Committee shall be authorized and have standing, upon the consent of the Plan Administrator, to prosecute such Cause of Action on behalf of the Debtors. If the Plan Administrator does not consent to the Post Effective Date Committee prosecuting a Cause of Action of the Debtors, the Post Effective Date Committee may seek authority and standing from the Court to prosecute such Cause of Action, and all rights of the Plan Administrator to object or otherwise oppose such relief are preserved.

For the avoidance of doubt, the Plan Administrator may authorize the Post Effective Date Committee to commence and prosecute any Causes of Action of the Debtors and, if so authorized by the Plan Administrator, the Post Effective Date Committee shall have standing to commence and prosecute such Causes of Action.

IX. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION

Among the possible consequences if the Plan is rejected or if the Court refuses to confirm the Plan are the following: (1) an alternative plan could be proposed or confirmed; or (2) the Chapter 11 Cases could be converted to liquidation cases under Chapter 7 of the Bankruptcy Code.

A. Alternative Plans

As previously mentioned, with respect to an alternative plan, the Debtors and their professional advisors have explored various alternative scenarios and believe that the Plan enables the holders of Claims to realize the maximum recovery under the circumstances. The Debtors believe the Plan is the best plan that can be proposed and serves the best interests of the Debtors and other parties-in-interest.

B. Chapter 7 Liquidation

As discussed above with respect to each Class of impaired Claims, either each holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. The Debtors believe that significant costs would be incurred by the Debtors as a result of the delay that would be caused by conversion of the Chapter 11 Cases to cases under Chapter 7 resulting in a reduced distribution to holders of Class 3 Claims.

X. RECOMMENDATION AND CONCLUSION

The Debtors and their professional advisors have analyzed different scenarios and believe that the Plan will provide for a more favorable distribution to holders of Allowed Claims than would otherwise result if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in potentially smaller distributions to the holders of Allowed Claims. Accordingly, the Debtors recommend confirmation of the Plan and urge all holders of impaired Claims to vote to accept the Plan, and to evidence such acceptance by returning their Ballots so that they will be received by no later than the Voting Deadline.

[SIGNATURE PAGE FOLLOWS]

Date: September 17, 2014
New Rochelle, New York

SOUND SHORE MEDICAL CENTER OF WESTCHESTER, *et al.*
Debtors And Debtors-In-Possession

By: /s/ Monica Terrano
Monica Terrano
Wind Down Officer

GARFUNKEL WILD, P.C.
Attorneys for the Debtors and Debtors-in-Possession
BURTON S. WESTON, Esq.
AFSHEEN A. SHAH, Esq.
ADAM T. BERKOWITZ, Esq.
111 Great Neck Road
Great Neck, New York, NY 11021
Telephone No. (516) 393-2200
Facsimile No. (516) 466-5964