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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

| --------------------------------------------------------x | | |
|---|---|---|
| In re | : | Chapter 11 |
| | : | |
| Interfaith Medical Center, Inc.,[1] | : | Case No. 12-48226 (CEC) |
| | : | |
| Debtor. | : | |
| --------------------------------------------------------x | | |

**NOTICE OF CHANGES TO**
**DISCLOSURE STATEMENT FOR THE FIRST AMENDED**
**CHAPTER 11 PLAN OF INTERFAITH MEDICAL CENTER, INC.**

**PLEASE TAKE NOTICE** that on March 21, 2014, Interfaith Medical Center, Inc., the debtor and debtor in possession in the above-captioned case (the "**Debtor**"), filed the Disclosure Statement for the Chapter 11 Plan of Reorganization for Interfaith Medical Center, Inc. [Docket No. 978].

**PLEASE TAKE FURTHER NOTICE** that on April 8, 2014, the Debtor filed the First Amended Disclosure Statement (the "**First Amended Disclosure Statement**") for the First Amended Chapter 11 Plan of Reorganization for Interfaith Medical Center, Inc. (the "**First Amended Plan**") [Docket No. 1018].

**PLEASE TAKE FURTHER NOTICE** that based upon and related to changes to the First Amended Disclosure Statement presented and agreed to or otherwise referenced at

[1] The last four digits of the Debtor's federal tax identification number are 6155. The Debtor's mailing address is 1545 Atlantic Avenue, Brooklyn, New York 11213.

the hearing on April 9, 2014 for approval of the First Amended Disclosure Statement, the Debtor has revised the First Amended Disclosure Statement (as revised, the "**Circulated Disclosure Statement**") that now will be sent to creditors voting on the First Amended Plan.

**PLEASE TAKE FURTHER NOTICE** that annexed hereto as Exhibit A is a copy of the Circulated Disclosure Statement and annexed hereto as Exhibit B is a blackline of the Circulated Disclosure Statement reflecting changes from the First Amended Disclosure Statement.

Dated: April 11, 2014

WILLKIE FARR & GALLAGHER LLP

By: /s/ Alan J. Lipkin

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*Attorneys to Debtor and Debtor in Possession*

# EXHIBIT A

## Circulated Disclosure Statement

**THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT AND IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. SUCH ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. FURTHER, WHILE MANY ASPECTS OF THE DEBTOR'S PROPOSED CHAPTER 11 PLAN DESCRIBED HEREIN HAVE BEEN DISCUSSED WITH OTHER PARTIES, NO PARTY HAS YET ENDORSED THAT PLAN.**

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

| | | |
|---|---|---|
| In re | : | Chapter 11 |
| | : | |
| Interfaith Medical Center, Inc.,[1] | : | Case No. 12-48226 (CEC) |
| | : | |
| Debtor. | : | |

**FIRST AMENDED DISCLOSURE STATEMENT FOR THE**
**FIRST AMENDED CHAPTER 11 PLAN OF INTERFAITH MEDICAL CENTER, INC.**

Dated: April 9, 2014

WILLKIE FARR & GALLAGHER LLP
787 Seventh Avenue
New York, New York 10019-6099
(212) 728-8000

Attorneys for Debtor and
Debtor in Possession

[1] The last four digits of the Debtor's federal tax identification number are 6155. The Debtor's mailing address is 1545 Atlantic Avenue, Brooklyn, New York 11213.

## TABLE OF CONTENTS

**Page**

ARTICLE I. INTRODUCTION ....... 1
1.1 IMC's Chapter 11 Case. ....... 1
1.2 Purpose of this Disclosure Statement. ....... 1
1.3 Voting on the Plan. ....... 1
1.4 Classification of Claims. ....... 3
1.5 Plan Confirmation, Acceptance, and Cram Down Option. ....... 3
1.6 The Confirmation Hearing. ....... 3
1.7 Qualifications on Contents of this Disclosure Statement. ....... 4
1.8 Debtor's Recommendation. ....... 5
1.9 Creditors' Committee's Recommendation. ....... 5

ARTICLE II. SUMMARY OF PLAN, INCLUDING THE PLAN'S CLASSIFICATION AND TREATMENT OF CLAIMS ....... 5

ARTICLE III. HISTORICAL BACKGROUND TO THE PLAN ....... 12
3.1 General. ....... 12
3.2 Corporate Governance, Senior Management, and Employees. ....... 12
3.3 Related Entities. ....... 13
3.4 Accreditations, Affiliations, and Training Programs. ....... 13
3.5 The Debtor's Prepetition Capital Structure. ....... 14
3.6 Events Leading to Commencement of IMC's Chapter 11 Case. ....... 17

ARTICLE IV. SIGNIFICANT EVENTS DURING THE DEBTOR'S CHAPTER 11 CASE ....... 18
4.1 Creditors' Committee. ....... 18
4.2 The Patient Care Ombudsman. ....... 18
4.3 Use of Cash Collateral and the DIP Financing Facility. ....... 19
4.4 IMC's Post Petition Restructuring Efforts. ....... 19
4.5 Events Leading to Current Chapter 11 Plan. ....... 21

ARTICLE V. SUMMARY OF THE PLAN ....... 25
5.1 Summary of Anticipated Operations After the Effective Date ....... 25
5.2 Summary of Distributions Under the Plan. ....... 25
5.3 Provisions for Resolution of Medical Malpractice Claims. ....... 35
5.4 Proposed I M Foundation Settlement ....... 37
5.5 Plan as a Settlement. ....... 38

ARTICLE VI. MEANS OF EXECUTION OF THE PLAN ....... 39
6.1 Corporate Action. ....... 39
6.2 Post-Effective Date Board of Trustees. ....... 39
6.3 Post-Effective Date Management. ....... 39
6.4 The Liquidating Trust and Liquidating Trustee ....... 41
6.5 The Disbursement Agent. ....... 42
6.6 Sources and Uses of Plan Funding. ....... 42
6.7 Use of Restricted Funds. ....... 43
6.8 General Claims Distribution Mechanics. ....... 43

6.9 Withholding Taxes. 44
6.10 Exemption from Certain Transfer Taxes. 44
6.11 Setoffs and Recoupments. 45
6.12 Insurance Preservation and Proceeds. 45
6.13 Discharge. 45
6.14 Vesting and Either Retention or Assignment of Causes of Action. 46
6.15 Treatment of Certain Indemnification Obligations. 47
6.16 Releases, Injunctions, and Related Provisions. 47
6.17 Retention of Jurisdiction. 51
6.18 Objections to Claims. 51
6.19 New Bar Dates for Filing Certain Claims. 51
6.20 Late Filed Claims. 53
6.21 Amendments to Claims. 53
6.22 Estimation of Claims. 53
6.23 Executory Contracts and Unexpired Leases. 53
6.24 Conditions Precedent to Confirmation and Consummation of the Plan. 55
6.25 Termination of the Services of Patient Care Ombudsman. 57
6.26 Dissolution of Creditors' Committee 57

ARTICLE VII. CONFIRMATION OF THE PLAN 57
7.1 Acceptance of the Plan; Cram Down. 57
7.2 Confirmation Hearing and Objections. 58
7.3 Confirmation. 58
7.4 Plan Consummation. 61

ARTICLE VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN 61
8.1 Alternative Chapter 11 Plan(s). 61
8.2 Liquidation Under Chapter 7 of the Bankruptcy Code. 62

ARTICLE IX. CERTAIN RISK FACTORS TO BE CONSIDERED 62
9.1 Risk of Non-Confirmation of the Plan. 62
9.2 Changes, Amendments, Modification, or Withdrawal of the Plan. 63
9.3 Failure to Consummate the Plan. 63
9.4 Alternative Chapter 11 Plans May Be Proposed. 63

ARTICLE X. CONCLUSION 64

**EXHIBITS**

1) Plan

2) Assumptions to Pro Forma Balance Sheet and Financial Projections

3) Pro Forma Balance Sheet for the Reorganized Debtor

4) Sources and Uses of Cash Required for Plan Consummation

5) Financial Projections for the Reorganized Debtor Assuming a May 2014 Plan Effective Date

6) Liquidation Analysis

7) Nonexclusive List of Potential Avoidance Actions

NOTE: A copy of the Debtor's Audited Consolidated Financial Statements for the Debtor for the fiscal year ended December 31, 2012 may be accessed free of charge from the following website: www.donlinrecano.com/interfaithmedical.

# ARTICLE I.

## INTRODUCTION

### 1.1 *IMC's Chapter 11 Case.*

On December 2, 2012 (the "**Petition Date**"), Interfaith Medical Center, Inc. ("**IMC**" or the "**Debtor**") filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of New York (the "**Bankruptcy Court**") commencing a case under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). Chapter 11 provides the means for a financially distressed entity to restructure its debts and reorganize. A debtor exits chapter 11 when a bankruptcy court approves a chapter 11 plan for the debtor. Such a plan provides for how the debtor's business will be restructured and/or liquidated and how the resulting value will be allocated among the debtor's creditors and other constituencies.

### 1.2 *Purpose of this Disclosure Statement.*

This Disclosure Statement is distributed in connection with the solicitation of votes on IMC's chapter 11 Plan, a copy of which is attached as Exhibit 1. Each capitalized term in this Disclosure Statement not otherwise defined has the meaning given to it in the Plan.

The Bankruptcy Court has entered an order approving this Disclosure Statement as containing adequate information to enable holders of Claims against the Debtor entitled to vote on the Plan to make an informed decision respecting acceptance or rejection of the Debtor's Plan. **THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT AS CONTAINING SUCH ADEQUATE INFORMATION DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY COURT AS TO ACCEPTANCE OR REJECTION OF THE PLAN OR ASSURE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.**

Additional copies of this Disclosure Statement (including its Exhibits) are available upon request made to the office of the Debtor's attorneys, Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, Attention: Katherine Fite, (212) 728-8000 (phone) or (212) 728-8111 (facsimile). A copy of this Disclosure Statement (including its Exhibits) also can be accessed free of charge from the following website: www.donlinrecano.com/interfaithmedical.

### 1.3 *Voting on the Plan.*

Together with this Disclosure Statement, ballots are being delivered to holders of Claims in each Class of Claims entitled to vote on the Plan. **Generally, holders of Impaired Claims (i.e., Claims for which payment in full is not provided for under the Plan) are entitled to vote on the Plan except that holders of Claims for which there will be no Plan distribution are deemed to have rejected the Plan**. A Claim to which an objection has been filed and remains unresolved is a Disputed Claim. A Holder of a Disputed Claim is not entitled to vote unless the Bankruptcy Court temporarily allows such Disputed Claim for the purpose of voting on the Plan. To ascertain whether or not your Claim is in a Class entitled to vote, please consult section 1.4 of this Disclosure Statement.

The Bankruptcy Court has directed that for a Ballot to be counted for voting on the Plan, such Ballot must be received not later than **5:00 P.M. (prevailing Eastern Time) on May 5, 2014** (the "**Voting Deadline**") at the following address:

If delivered by first-class U.S. mail:
Donlin, Recano & Company, Inc.
Re: Interfaith Medical Center, Inc.
P.O. Box 2070
Murray Hill Station
New York, NY 10156

If delivered by overnight mail or hand delivery:
Donlin, Recano & Company, Inc.
Re: Interfaith Medical Center, Inc.
419 Park Avenue South, Suite 1206
New York, NY 10016

THUS, TO BE COUNTED, YOUR ORIGINAL BALLOT ACCEPTING OR REJECTING THE PLAN MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN THE VOTING DEADLINE**,** UNLESS SUCH DEADLINE IS EXTENDED BY THE DEBTOR. YOUR BALLOT MAY BE SENT VIA FIRST CLASS MAIL, OVERNIGHT COURIER, OR MESSENGER. ALL BALLOTS MUST BE SIGNED.

Ballots have been specifically designed for soliciting votes from the Classes entitled to vote on the Plan. Accordingly, in voting on the Plan, please use only a Ballot sent with this Disclosure Statement or provided by the Voting Agent.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, or lost your Ballot, or if you have any questions concerning voting procedures, please contact the Voting Agent at (212) 771-1128, via e-mail to noticingdept@donlinrecano.com, or by sending a written inquiry to the same address listed above for sending Ballots.

Before voting, each holder of a Claim entitled to vote on the Plan should read the pertinent portion(s) of this Disclosure Statement and its Exhibits, including the Plan, as well as the instructions accompanying the Ballot. This Disclosure Statement and the accompanying Notice and Ballot are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes to accept or reject the Plan. No statement or information concerning the Plan has been authorized to be circulated other than the statements and information contained in this Disclosure Statement.

**Your vote on the Plan is important.** Under the Bankruptcy Code, satisfaction of the requisite voting percentages is based on those Allowed Claims actually voted, not those Allowed Claims outstanding.

### 1.4 *Classification of Claims.*

The following table designates the Classes of Claims against the Debtor, specifies which Classes are impaired or unimpaired by the Plan, and for impaired Classes specifies whether they are: (a) entitled to vote to accept or reject the Plan; or (b) deemed to reject the Plan.

| **Class** | **Designation** | **Impairment** | **Entitled to Vote** |
|---|---|---|---|
| Class 1 | Priority Claims | No | No (Deemed to accept) |
| Class 2 | Priority Tax Claims | No | No (Deemed to accept) |
| Class 3 | Other Secured Claims | No | No (Deemed to accept) |
| Class 4 | DASNY Claims | Yes | Yes |
| Class 5 | East Building Claims | Yes | Yes |
| Class 6 | General Unsecured Claims | Yes | Yes |
| Class 7 | Existing Equity Interests (if any) | Yes | No (Deemed to reject) |

### 1.5 *Plan Confirmation, Acceptance, and Cram Down Option.*

Except as otherwise set forth below, for the Plan to be confirmed (i.e., approved by the Bankruptcy Court), it must be accepted by each class of Claims whose rights are impaired by the Plan. Under the Bankruptcy Code, a class of Claims is deemed to have accepted the Plan if the Plan is timely accepted by creditors in such Class holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that were timely voted.

Even, however, if the requisite acceptance of the Plan by any impaired class is not obtained through such voting, the Bankruptcy Court still may confirm the Plan in limited circumstances. If a Class of Claims rejects the Plan, then the Debtor reserves the right to amend the Plan and/or to request confirmation of the Plan pursuant to section 1129(b). Section 1129(b) would permit Plan confirmation so long as at least one impaired Class of Claims votes to accept the Plan and the Plan does not "discriminate unfairly" and is "fair and equitable" respecting each non-accepting Class. Such a nonconsensual approval of a chapter 11 plan is known as a "cram down".

### 1.6 *The Confirmation Hearing.*

The Bankruptcy Court has fixed **May 12, 2014**, **at 11:00 a.m. (prevailing Eastern Time)** in Court Room 3529 at the Bankruptcy Court, 271 Cadman Plaza East, Brooklyn, NY 11201, as the date, time, and place for the confirmation hearing on the Plan (the "**Confirmation Hearing**"). Any objection to confirmation must be in writing and must be filed and served on the Debtor's attorneys, Willkie Farr & Gallagher, LLP, 787 Seventh Avenue, New York, New York 10019, Attention: Alan J. Lipkin, Esq. and Shaunna D. Jones, Esq., (212) 728-8000 (phone) or (212) 728-8111 (facsimile), with copies to: (a) counsel to the Creditors' Committee, Alston & Bird LLP, Attn:, 90 Park Avenue, New York, New York 10016, Attention: Martin G. Bunin, Esq. and Craig E. Freeman, Esq., (212) 210-9400 (phone); (b) counsel to DASNY, Winston & Strawn LLP, Attn: David Neier, Esq., 200 Park Avenue, New York, New York 10166, (212) 294-6700 (phone) or (212) 294-4700 (facsimile); (c) counsel to the

Department of Health, Attn: Joshua Pepper and Enid Stuart, Assistant Attorneys General, 120 Broadway – 24th Floor, New York, New York 10271, (212) 416-8666 (phone); and (d) the United States Trustee for the Eastern District of New York, Attn: William E. Curtin, 201 Varick Street, Suite 1006, New York, New York, 11201 so that such objections are received by **May 5, 2014, at 4:00 p.m. (prevailing Eastern Time)** (the "**Confirmation Objection Deadline**"), in accordance with the procedure described in the Confirmation Hearing notice accompanying this Disclosure Statement.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Bankruptcy Code's requirements for Plan confirmation have been satisfied. The Debtor believes the Plan satisfies all such applicable requirements.

### 1.7 *Qualifications on Contents of this Disclosure Statement.*

**OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT, NO REPRESENTATION CONCERNING THE DEBTOR, ITS BUSINESS OPERATIONS, THE VALUE OF ITS ASSETS, OR THE PLAN HAS BEEN AUTHORIZED OR SHOULD BE RELIED UPON BY ANY HOLDER OF A CLAIM. UNAUTHORIZED INFORMATION, REPRESENTATIONS, OR INDUCEMENTS REGARDING SUCH MATTERS SHOULD BE REPORTED TO THE DEBTOR OR ITS COUNSEL, WHO WILL PROVIDE SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS THE BANKRUPTCY COURT DEEMS APPROPRIATE.**

**THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN OTHER DOCUMENTS, AND CERTAIN FINANCIAL INFORMATION CONCERNING THE DEBTOR. WHILE THE DEBTOR BELIEVES THESE SUMMARIES ARE FAIR AND ACCURATE IN ALL MATERIAL RESPECTS AND PROVIDE ADEQUATE INFORMATION RESPECTING THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENT. FURTHER, THE FINANCIAL INFORMATION CONTAINED OR INCORPORATED BY REFERENCE HEREIN HAS NOT BEEN SUBJECT TO AN AUDIT. NONETHELESS, THE DEBTOR HAS SOUGHT TO ENSURE SUCH INFORMATION IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT BELIEVE SUCH INFORMATION CONTAINS ANY MATERIAL INACCURACIES.**

**THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, INCLUDING THE PLAN, MAY NOT BE RELIED UPON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING WHETHER TO ACCEPT OR REJECT THE PLAN.**

This Disclosure Statement contains projected financial information and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects, and results might vary significantly from

those included in or contemplated by such projected financial information and such other forward-looking statements. The projected financial information contained in this Disclosure Statement and its Exhibits is, therefore, not necessarily indicative of the future financial condition or results of operations of the Reorganized Debtor, which in each case might vary significantly from those set forth in such projections. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by the Debtor, its advisors, or any other person that the projected financial conditions, distributions, or results of operations can or will be achieved.

### 1.8 *Debtor's Recommendation.*

The Debtor believes the Plan would maximize returns to IMC's creditors and maximize the provision of health care services to, as well as the preservation and creation of health care jobs in, IMC's community. Accordingly, the Debtor strongly recommends acceptance of the Plan and support of its confirmation. Further, the Debtor notes that acceptance of the Plan by holders of General Unsecured Claims in Class 6 would benefit such holders as then: (a) DASNY would waive any Distribution in its Allowed Class 6 Claim of not less than $100 million; and (b) all funds available for Distributions from the Liquidating Trust would go to Allowed Claims in Class 6 and would not be available for any potential shortfall in funding available or reserved for the payment of Allowed Administrative Claims and Allowed Claims in Classes 1, 2, and 3.

### 1.9 *Creditors' Committee's Recommendation.*

The Official Committee of Unsecured Creditors (the "**Creditors' Committee**") believes the Plan would result in little or no payment to the Debtor's general unsecured creditors on account of their claims. As a result, the Creditors' Committee strongly recommends the rejection of the Plan and opposition to its confirmation. The Creditors' Committee's position is that the Bankruptcy Court cannot confirm the Plan, among other reasons, because the proposed treatment of the DASNY Claims is inappropriate, as a matter of law (see section 5.2(b)(4)(c) of this Disclosure Statement).

## ARTICLE II.

## SUMMARY OF PLAN, INCLUDING THE PLAN'S CLASSIFICATION AND TREATMENT OF CLAIMS

The Plan is the result of negotiations by and among the Debtor, DASNY, DOH, and certain other significant creditors and parties in interest. The Plan contemplates satisfaction of the DASNY Claims through transfer to DASNY's designee of certain real property and real property leases (which assets primarily will be leased to the Reorganized Debtor) and retention by the Reorganized Debtor of the Debtor's operating assets and certain real property leases, which the Reorganized Debtor then will use to provide healthcare services in the Debtor's community. The Plan also contemplates the formation of a liquidating trust as of the Effective Date, which shall receive, liquidate, and distribute the net proceeds of certain assets of the Debtor to holders of Allowed Class 6 Claims.

Generally, the Plan provides for the following classification and/or treatment of Claims:

- Unclassified Claims - All Allowed Administrative Claims will not be classified and will be satisfied in full and shall receive Cash equal to the Allowed amount of such Claim from funding approved by the Bankruptcy Court as being sufficient.

- Class 1 – All holders of Allowed Priority Claims will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code from funding approved by the Bankruptcy Court as being sufficient.

- Class 2 – All holders of Allowed Priority Tax Claims will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code from funding approved by the Bankruptcy Court as being sufficient.

- Class 3 –Each holder of an Allowed Other Secured Claim (i.e., a non-DASNY secured Claim) will receive, at the Debtor's option, either the collateral securing such Allowed Claim or payment of the full amount of such Allowed Claim.

- Class 4 - The DASNY Claims will be satisfied in full by the conveyance to DASNY's designee or the Reorganized Debtor (with DASNY determining in its sole discretion which assets shall be retained by the Reorganized Debtor and which assets shall be conveyed free and clear of any liens, claims, charges, pledges, encumbrances, and/or interests of any kind to DASNY's designee) of all assets of the Debtor (except for those assets DASNY determines are to be conveyed to the Liquidating Trust or abandoned) including, without limitation: (a) all real property; (b) all real property leases and other executory contracts; (c) all inventory, furniture, fixtures, and equipment; (d) all accounts receivable for Hospital services; (e) any grants or other funding due to the Debtor; (f) all of the Debtor's medical records; provided, however, the Liquidating Trust shall continue to have reasonable access to such records as needed; (g) all Healthfirst equity interests; (h) all funds set aside by the Debtor for the payment of Allowed Postpetition Medical Malpractice Claims; (i) all funds to be deposited in the Covered Persons Fund; and (j) all funds provided to the Debtor pursuant to the DIP Facility (collectively, the "**Hospital Assets**"); provided, however, any Medicare provider agreements shall not be assigned to DASNY's designee, but rather, if possible, and subject to arrangements satisfactory to DASNY, shall be assumed and retained by the Reorganized Debtor. DASNY also shall receive releases provided for in the Plan.

- Class 5 – The East Building Claims will be satisfied as follows:

  - If 1545 Atlantic votes to accept the Plan, then upon the Confirmation Date, but subject to the occurrence of the Effective Date, the two agreements, dated May 17, 2004, between the Debtor and 1545 Atlantic denominated a "Development Lease" and an "Occupancy Lease" shall be recharacterized as a single financing agreement for an unsecured loan from 1545 Atlantic to the Debtor, with the Debtor then having title to the related land and improvements known as the "East Building," free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY. In full satisfaction of any Claims of 1545 Atlantic based on those recharacterized agreements, 1545 Atlantic shall receive or retain: (a) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (b) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (c) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (d) $25,000 per month from Debtor or DASNY's designee (as applicable) for the period April 1, 2014 through March 31, 2015; and (e) an Allowed General Unsecured Claim in Class 6 of $5,000,000; or

  - If 1545 Atlantic rejects the Plan, then: (a) 1545 Atlantic's leases shall be either: (i) recharacterized as a disguised financing pursuant to the Plan or, if necessary, pursuant to an adversary proceeding in the Bankruptcy Court; or (ii) rejected pursuant to the Plan and section 365, and notwithstanding section 365(h), the East Building shall be assigned by the Debtor pursuant to section 363(b) and the Plan to DASNY's designee free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY. In either case, 1545 Atlantic then shall receive or retain: (v) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (w) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic (x) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (y) payments in amounts and at times determined by the Bankruptcy Court to be payable to 1545 Atlantic as adequate protection for any leasehold interest or respecting its rights under its subordination agreement with DASNY; and (z) an allowed General Unsecured Claim in Class 6 in an amount to be determined by the Bankruptcy Court.

- Class 6 – Each holder of an Allowed General Unsecured Claim will receive rights to a Pro Rata Distribution from the Liquidating Trust. Each holder of an Allowed Prepetition Medical Malpractice Claim shall be treated as a holder of an Allowed General Unsecured Claim. Certain holders of Allowed Prepetition Medical Malpractice Claims who also hold related claims against Covered Persons (which shall not include the Debtor) also shall receive a Pro Rata share of the Covered Persons Fund, (i.e., a separate fund to be comprised of consideration contributed by or on behalf of Covered Persons (i.e., the Debtor's medical staff). All such funding shall be approved by the Bankruptcy Court as being sufficient for the relief granted under the Plan.

- Class 7 – Holders of existing equity interests will not receive or retain any Distribution under the Plan.

The following table summarizes the Plan's classification and treatment of certain Claims, with such summary qualified in its entirety by the description of the treatment of such Claims in Articles IV and V of the Plan. Administrative Claims and U.S. Trustee Fees are not classified under the Plan.

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| Class 1 | Priority Claims | On the Distribution Date, each holder of an Allowed Priority Claim will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code. | Unimpaired | No, deemed to accept | $1,900,000 – 3,300,000 | 100% |
| Class 2 | Priority Tax Claims | On the Distribution Date, each holder of an Allowed Priority Tax Claim will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code. | Unimpaired | No, deemed to accept | $66,000-$600,000 | 100% |

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| Class 3 | Other Secured Claims | Each holder of an Allowed Other Secured Claims will receive, at the option of DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable), either the collateral securing such Allowed Claim or payment of the full amount of such Allowed Claim. To the extent that the value of the collateral securing each Allowed Other Secured Claim is less than the amount of such Allowed Other Secured Claim, the unsecured portion of each such Claim shall be treated and classified as a Class 6 Claim under the Plan. | Unimpaired | No, deemed to accept | $630,000 - $700,000 | 100% |
| Class 4 | DASNY Claims | Allowed DASNY Claims will be satisfied by the transfer or control over disposition of the Hospital Assets; provided, however, that DASNY's General Unsecured Claims receive treatment in Class 6. | Impaired | Yes, entitled to vote | TBD | Less Than 50% in the Aggregate |

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| Class 5 | East Building Claims | The East Building Claims will be satisfied as follows: (a) if 1545 Atlantic votes to accept the Plan, 1545 Atlantic will receive or retain (i) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (ii) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (iii) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (iv) $25,000 per month from Debtor or DASNY's designee (as applicable) for the period April 1, 2014 through March 31, 2015; and (v) an Allowed General Unsecured Claim in Class 6 of $5,000,000; or (b) if 1545 Atlantic votes to reject the Plan, 1545 Atlantic shall receive or retain: (i) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (ii) the $500,000 "security deposit" paid by the | Impaired | Yes, entitled to vote | $0 – $7,000,000 | TBD |

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| | | Debtor to 1545 Atlantic; (iii) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (iv) payments in amounts and at times determined by the Bankruptcy Court to be payable to 1545 Atlantic as adequate protection for any leasehold interest or respecting its rights under its subordination agreement with DASNY; and (v) an allowed General Unsecured Claim in Class 6 in an amount to be determined by the Bankruptcy Court. | | | | |
| Class 6 | General Unsecured Claims | Each holder of an Allowed General Unsecured Claim will receive its Pro Rata share of distributions from the Liquidating Trust. | Impaired | Yes, entitled to vote | $275,000,000-$380,000,000[2] | TBD |

[2] These amounts include an estimated $100,000,000 General Unsecured Claim of DASNY that will be waived if Class 6 accepts the Plan.

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| Class 7 | Existing Equity Interests | Existing equity interests shall not receive or retain any distribution. | Impaired | No, deemed to reject | N/A | $0 |

The recoveries set forth above are estimates and are contingent upon multiple factors, including approval of the Plan as proposed.

## ARTICLE III.

## HISTORICAL BACKGROUND TO THE PLAN

### 3.1 *General.*

IMC was created in 1983 through the combination of St. John's Episcopal Medical Center in the Bedford-Stuyvesant section of central Brooklyn and Jewish Medical Center of Brooklyn in the Crown Heights section of central Brooklyn. IMC inherited substantial legacy debt in connection with that merger.

The Debtor now operates a multi-site health care system that provides medical, surgical, pediatric, dental, psychiatric, and other health care services in central Brooklyn. The Debtor's facilities consist of a 287-bed acute care teaching hospital on Atlantic Avenue in Bedford-Stuyvesant, Brooklyn, 8 behavioral health outpatient services, and an ambulatory care network of 3 clinics located in the central Brooklyn communities of Crown Heights and Bedford-Stuyvesant. The communities in IMC's primary service area include a high proportion of indigent people and a substantial population in need of care for substance abuse, mental illness, and AIDS. Many in IMC's community lack ambulatory alternatives to inpatient care.

### 3.2 *Corporate Governance, Senior Management, and Employees.*

IMC's primary purpose is to maintain and operate a voluntary, not-for-profit hospital and provide health-related services in central Brooklyn, pursuant to Article 28 of the Public Health Law and the Mental Hygiene Law of the State of New York. IMC is presently governed by a five-member Board of Trustees. IMC is a New York not-for-profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As of the Petition Date, IMC employed approximately 1,639 full-time, part-time, and *per diem* employees, many of whom are represented by various labor unions.

Prepetition, IMC was managed by senior personnel provided by Kurron Shares of America, Inc. ("**Kurron**") pursuant to successive management agreements. Postpetition those personnel remained in place. On January 25, 2013, the Bankruptcy Court retroactively approved IMC's retention of Kurron as the Debtor's manager and certain Kurron personnel as the Debtor's

senior management, including the Debtor's Chief Restructuring Officer. Ultimately, DOH did not approve Kurron's last contract.

Subsequently, the Fourth Interim Cash Collateral Order [Docket No. 344] and a memorandum of understanding between the Debtor and The Brooklyn Hospital Center [Docket No. 348] each effectively required the Debtor to retain a new Chief Restructuring Officer. The Debtor then replaced its Chief Restructuring Officer provided by Kurron with John D. Leech and retained Gordian-Dynamis Solutions LLC as Restructuring Consultant pursuant to an order, dated April 5, 2013 [Docket No. 387]. Also, the remaining members of the Debtor's senior management team that had been provided by Kurron, then were hired directly by the Debtor as its President and CEO, COO, and CFO. Subsequently, that COO and CEO each left IMC.

Effective March 26, 2014, Mr. Leech was replaced as CRO by Melanie Cyganowski. Ms. Cyganowski' s responsibilities focus on guiding IMC through its restructuring, such as through obtaining financing, generating the Work Plan for IMC's operations after the Effective Date, and interacting with DOH and DASNY as well as IMC's unions, employees, doctors, and community representatives. On that same date, IMC retained Steven R. Korf (through ToneyKorf Partners, LLC) as IMC's CEO to have direct operational responsibility over and to assist in restructuring operations at IMC's Hospital and Clinics.

### 3.3 *Related Entities.*

Interfaith Emergency Medicine, P.C., Interfaith Professional Physician Services, P.C., and Interfaith Psychiatry Services, P.C. (collectively, the "**PCs**") were created to provide health care services to IMC's patients. The PCs are operated pursuant to a management agreement between each PC and IMC, which each provide for the remittance of all profits earned by the PCs back to IMC. The PCs are not owned by IMC and each PC is wholly-owned by an individual related to IMC. The PCs are not debtors.

The I M Foundation, Inc. (the "**I M Foundation**") is a non-profit organization that, inter alia, supports the charitable, educational, and scientific purposes of IMC and other activities in IMC's community. The I M Foundation is not a debtor. A proposed settlement between the I M Foundation and IMC is incorporated in the Plan and summarized in section 5.4.

### 3.4 *Accreditations, Affiliations, and Training Programs.*

IMC is licensed or accredited by various governmental agencies and other organizations, including the United States Department of Health and Human Services, New York State Department of Health ("**DOH**"), and New York State Office of Mental Health. In March, 2014, IMC was reaccredited by the nationally recognized Joint Commission (as agent for CMS).

IMC is a teaching institution that sponsors residency training programs in medicine, ophthalmology, dentistry, podiatry, and psychiatry, and fellowship training in pulmonary diseases, gastroenterology, and cardiology. The teaching programs are an important aspect of IMC's mission and enhance IMC's ability to provide high-quality health care services to the medically underserved residents of the central Brooklyn community.

**3.5** ***The Debtor's Prepetition Capital Structure.***

(a) **DASNY Loans and Collateral.**

(i) Prepetition Loans

Prior to the Petition Date, DASNY made loans and extended other financial accommodations to IMC. As described in detail below, as of the Petition Date, the Debtor's total indebtedness to DASNY was approximately $131,494,051.55.

In February 1998, DASNY first issued its secured hospital revenue bonds relating to the Debtor (the "**1998 Bonds**") and loaned the proceeds to the Debtor to be used to fund construction projects and to satisfy other obligations. Thereafter, in connection with a Loan Agreement between DASNY and IMC, dated as of January 24, 2007 (as amended, restated, supplemented or otherwise modified from time to time, and together with all agreements, documents, notes and instruments in respect thereof, the "**Prepetition Loan Agreement**"), DASNY issued its Secured Hospital Revenue Refunding Bonds, Interfaith Medical Center, Series 2007 (the "**Series 2007 Bonds**") in the aggregate principal amount of $122,475,000. The proceeds from the Series 2007 Bonds were loaned by DASNY to the Debtor pursuant to the Prepetition Loan Agreement. The Debtor used these loan proceeds to make payments to DASNY for refunding the 1998 Bonds and to fund certain reserves. IMC's payments under the Prepetition Loan Agreement are to be used to make principal and interest payments on the Series 2007 Bonds.

Pursuant to a Reimbursement Agreement between DASNY and IMC, dated as of November 21, 2011 (as amended, restated, supplemented or otherwise modified from time to time, and together with all agreements, documents, notes and instruments in respect thereof, the "**Pool Loan Agreement**"), DASNY loaned the Debtor $2,000,000 to fund working capital. That loan matured on January 1, 2013.

As of the Petition Date, the aggregate principal amount outstanding under the Prepetition Loan Agreement was not less than $117,312,276.30 and the aggregate principal amount outstanding under the Pool Loan Agreement was not less than $2,000,000.00, for a total of not less than $119,312,276.30 in respect of IMC's prepetition secured obligations to DASNY (the "**Prepetition Loan Obligations**").[3]

In addition, DASNY made an unsecured, interest-free loan to IMC in the amount of $15,122,204 (the "**Fund B Loan**"), pursuant to that certain Reimbursement Agreement between DASNY and IMC, dated as of March 29, 2005 (as amended on June 14, 2011, and as further amended, restated, supplemented or otherwise modified from time to time, and together with all agreements, documents, notes and instruments in respect thereof, the "**Fund B Loan**

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[3] There was a debt reserve fund that contained approximately $6,634,955 held by the Indenture Trustee for the Series 2007 Bonds. That reserve was used by the Indenture Trustee until it was exhausted to pay bondholders their regularly scheduled payments after IMC ceased making payments respecting the Series 2007 Bonds.

**Agreement**", and together with the Prepetition Loan Agreement, and the Pool Loan Agreement, the "**Prepetition Loan Documents**" and the obligations thereunder, the "**Prepetition Obligations**"). IMC was to use the proceeds from the Fund B Loan to satisfy certain amounts due to the DOH in connection with prior DOH distributions from certain bad debt and charity care funding pools. Pursuant to the Fund B Loan Agreement, the Debtor commenced repayment of the Fund B Loan in May 2008. On June 14, 2011, DASNY and the Debtor amended the Fund B Loan Agreement to, among other things, extend the final payment date of the Fund B Loan to April 1, 2024, and defer the twelve monthly installments originally payable April 1, 2011 through March 1, 2012. As of the Petition Date, the aggregate principal amount outstanding under the Fund B Loan was approximately $12,181,775.25.

(ii) Prepetition Collateral Grants

To secure IMC's obligations under the Prepetition Loan Agreement, IMC granted DASNY a lien on and security interest in the Debtor's gross receipts (including receipts, revenues, income and other moneys received by the Debtor or derived from the operation of the Debtor's facilities, except for restricted contributions, grants, gifts and bequests) and a first lien mortgage on, among other things, certain of the Debtor's real property located in Kings County, New York, NY (the "**Mortgaged Property**"), the Debtor's interest in various easements, licenses, permits, and rights related to the Mortgaged Property, the Debtor's equipment and personal property located on the Mortgaged Property, and proceeds of the foregoing (collectively, the "**Prepetition Loan Collateral**"). To secure the Debtor's obligations under the Pool Loan Agreement, DASNY was granted a security interest in certain State funds allocated to the Debtor from funding pools for bad debt and charity care (collectively, with the Prepetition Loan Collateral, the "**Prepetition Collateral**"). The Debtor is obligated to cause DOH to pay those funds directly to DASNY.

(b) **East Building.**

On May 17, 2004, IMC and 1545 Atlantic simultaneously entered into two agreements, a development agreement (the "**Development Agreement**") and an occupancy agreement (the "**Occupancy Agreement**"), respecting certain land adjacent to IMC's hospital and a building to be built thereon (the "**East Building**"). Under the Development Agreement, IMC gave 1545 Atlantic the right to build the East Building on IMC's land according to specifications approved by IMC, and the right to use both the land and the East Building for a specified period. In exchange, 1545 Atlantic was obligated to pay IMC $1 per year. The Occupancy Agreement provides for IMC to use the East Building for 29 years in exchange for IMC paying 1545 Atlantic in excess of $1 million per year plus all costs and expenses incidental to ownership of the Premises. Then the two "leases" would expire and IMC would continue to own both the East Building and the underlying land.

Meanwhile, pursuant to a subordination agreement, dated January 20, 2005, among DASNY, IMC, and 1545 Atlantic:

1. DASNY's mortgage and liens were extended to, among other things, the East Building site and to the East Building itself.

2. DASNY's rights as mortgagee of IMC's real property were subordinated to 1545 Atlantic's Development Lease solely respecting the site of the East Building.

Eventually, 1545 Atlantic built the East Building at a cost 1545 Atlantic asserts approximates $15 million and the Debtor asserts was less than $9 million. The East Building is connected to IMC's hospital on each floor and is totally dependent on the hospital for basic services such as heat and air conditioning. The East Building contains IMC administrative and doctor's offices.

Prepetition, under the Development Lease, IMC paid 1545 Atlantic over $4 million plus a "security deposit" of $500,000. Postpetition, IMC paid 1545 Atlantic $300,000 through March 31, 2014.

IMC believes that in combination, the Occupancy Lease and Development Lease were a disguised loan to finance 1545 Atlantic's construction of the East Building. See Debtor's Reply [Docket No. 312]. 1545 Atlantic's unsecured Claim is junior to DASNY's Claims, except perhaps to the extent of the value of the real property underneath the East Building, which real property is worth approximately $2 million. 1545 Atlantic asserts that its tenancy rights under the Development Lease are senior to DASNY's mortgage, but even were that true, 1545 Atlantic's assertion appears to depend on whether the Development Lease is a true lease and, even if it were a true lease, whether IMC may reject that lease and terminate 1545 Atlantic's tenancy rights. To date, IMC has paid 1545 Atlantic over $4 million prepetition, $500,000 for a "security deposit", and $300,000 post petition. Due to such payments, either 1545 Atlantic has no remaining "senior" claim under DASNY's subordination agreement or, at most, 1545 Atlantic has a "senior" claim of less than $2 million after application of IMC's postpetition payments of $300,000 and the security deposit. IMC also believes that if the Development Lease were a true lease, then IMC could reject the Development Lease and assign the East Building to DASNY's designee free of any continuing interest of 1545 Atlantic pursuant to section 363(f) of the Bankruptcy Code.

IMC has sought to settle 1545 Atlantic's Claims. A proposed settlement is incorporated into the Plan. Alternatively, if 1545 Atlantic does not accept the proposed settlement, then its Claims will be litigated. The details of those two alternatives are described in Section 5.5 of the Plan and section 5.2(b)(5) of this Disclosure Statement.

(c) **Other Significant Prepetition Obligations.**

Prepetition, IMC settled various medical malpractice actions on bases requiring scheduled payments over multiple years. As of the Petition Date, an aggregate of approximately $22.5 million (payable over extended time periods) was outstanding on such settlements. As of the Petition Date, approximately $6,159,374.88 was held in escrow accounts to satisfy certain of

such settled liabilities.[4] In addition, prepetition medical malpractice claim judgments against IMC in the amount of approximately $9 million were not subject to a settlement agreement as of the Petition Date. Further, at that time, a number of medical malpractice actions were pending against IMC. Collectively, IMC's Prepetition Medical Malpractice Plan obligations (including potential obligations on medical malpractice actions not yet settled or the subject of judgments) approximates $35,000,000, net of amounts held in escrow accounts for certain of the settled Claims. IMC was self-insured for all such liabilities.

### 3.6 *Events Leading to Commencement of IMC's Chapter 11 Case.*

#### (a) **Reductions in Medicaid Reimbursement and Other Operational Financial Issues Faced By IMC.**

IMC has operated and continues to operate in an increasingly challenging environment. In the central Brooklyn communities in which IMC is located, approximately 31% of residents live below the poverty line and approximately 65% receive Medicaid, the government health insurance program for the needy. As Medicaid eligibility has expanded for such individuals, Medicaid reimbursement rates for hospitals such as IMC repeatedly have been cut, including cuts of approximately 40% over the two years preceding IMC's Petition Date. Also, approximately 33% of IMC's adult patients are uninsured, particularly those who are illegal immigrants. Meanwhile, the costs of providing medical care by IMC and other hospitals continue to increase.

Prepetition, IMC made great strides to address these operational and financial challenges as well as to deal with the substantial long term legacy debt incurred years ago. For example, from 2010 to 2012, IMC cut approximately $30 million of annual expenses. Nevertheless, while IMC approached a breakeven level on operational revenue and expenses, Medicaid and other reimbursement cuts made it impossible for the Debtor to fully address its legacy debt service and other financial obligations.

#### (b) **Medical Malpractice Obligations.**

Also, past medical malpractice claims remained a significant concern, particularly as IMC is self-insured for such liabilities. As of the Petition Date, there were unsatisfied judgments aggregating approximately $9 million outstanding against the Debtor, including a $7 million jury verdict entered against IMC on July 20, 2012, in a medical malpractice action in Kings County, New York. Thus, IMC was very concerned about certain creditors seizing IMC's bank accounts that were essential to IMC's operations. IMC also had obligations under settled malpractice actions that are payable over time, of which approximately $22.5 million was outstanding as of the Petition Date. While most of such medical malpractice Claims relate to obstetrics and gynecology services no longer provided by IMC as of the Petition Date, the related financial obligations presented a substantial economic burden on IMC.

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[4] The amounts remaining in such escrow accounts will be distributed to the applicable Claim holders in accordance with such escrow agreements except to the extent subject to recovery by IMC as preferential transfers.

(c) **IMC's Prepetition Efforts to Partner with One or More Other Hospitals.**

Prior to and during 2012, in addition to addressing its internal financial and operational issues to the extent possible, an additional strategy pursued by IMC was to seek a new business relationship with one or more other hospitals. In that regard, IMC contacted several other hospitals in Brooklyn. As a result, in February 2012, IMC and The Brooklyn Hospital Center ("**TBHC**") developed and submitted an application for a HEAL 21 grant in order to fund the development and implementation of a cohesive health system for North/Central Brooklyn. That grant was received and used by TBHC to have a study done.

Subsequently, during July of 2012, IMC and TBHC reached an agreement in principle regarding the terms of a business combination. Thereafter, DOH rejected that arrangement and required a much more active managerial role by TBHC than was contemplated by the parties' agreement in principle. Discussions between IMC and TBHC resumed, but no new agreement in principle between TBHC and IMC was reached prior to IMC's chapter 11 filing on December 2, 2012.

## ARTICLE IV.

## SIGNIFICANT EVENTS DURING THE DEBTOR'S CHAPTER 11 CASE

### 4.1 *Creditors' Committee*

On December 13, 2012, the U.S. Trustee appointed the following unsecured creditors to IMC's Official Committee of Unsecured Creditors (the "**Creditors' Committee**"), which represents the interests of IMC's unsecured creditors in this case: (a) Medline Industries, Inc.; (b) 1199 SEIU National Benefit Fund and 1199 SEIU Healthcare Industry Pension Fund; (c) Health Services Retirement Plan; (d) New York State Nurses Association; (e) Sodexo Operations, LLC; (f) Tia and Lennard Samuel (f/k/a Burnett), infants by their mother and natural guardian, Jasmine Samuel (f/k/a Burnett); and (g) Ellen L. Flowers, Esq., as special guardian of Drita Manuka. On February 13, 2013, the Bankruptcy Court entered orders authorizing the Creditors' Committee's retention of Alston & Bird LLP, as counsel, and CBIZ Accounting, Tax & Advisory of New York, LLC, as financial advisors.

### 4.2 *The Patient Care Ombudsman.*

On January 10, 2013, the U.S. Trustee appointed Eric M. Huebscher to serve as the patient care Ombudsman required by 11 U.S.C. 333(a)(1) to monitor the Debtor's quality of patient care and to represent the interests of the Debtor's patients. To date, the Ombudsman has filed seven reports with the Bankruptcy Court.

### 4.3 *Use of Cash Collateral and the DIP Financing Facility.*

(a) **Cash Collateral.**

In connection with the commencement of IMC's Chapter 11 Case and monthly thereafter, DASNY and the Debtor agreed on eight cash collateral orders for the Debtor's consensual use of DASNY's cash collateral (i.e., IMC's cash on which DASNY had a lien). Such stipulations provided for the Debtor's access to funding and ensured the Debtor's ability to continue providing quality medical care and serving its community while navigating the chapter 11 process.

(b) **DIP Financing Facility and Order.**

On August 16, 2013, the Debtor filed a motion seeking a final order authorizing the Debtor to obtain a postpetition secured loan from DASNY (i.e., new money) and to continue using DASNY's cash collateral (i.e., proceeds from DASNY's collateral) [Docket No. 638]. On September 30, 2013, the Bankruptcy Court entered a final order granting that motion [Docket No. 747] (the "**DIP Order**"). In exchange, DASNY was granted allowed super-priority administrative Claims as well as security interests in and liens on most property of the Debtor. Subsequently, the Debtor and DASNY entered into three stipulations modifying certain terms and dates in the DIP Order and increasing the aggregate amount of DASNY's postpetition secured loan to $45,100,000 [Docket Nos. 864, 912, and 1001].

### 4.4 *IMC's Post Petition Restructuring Efforts.*

As it did prepetition, after the Petition Date the Debtor continued to focus on a financial and operational restructuring for IMC to continue as a standalone entity or in combination with one or more other hospitals. Thus, IMC continued working to develop a plan to provide a financially viable healthcare system to address the needs of IMC's community. Among other things, IMC was engaged in discussions regarding the terms of a potential affiliation or similar relationship with one or more other hospitals.

(a) **TBHC.**

Largely due to the requirements of DOH and DASNY, such discussions eventually focused on renewed discussions with TBHC. On March 22, 2013, the Bankruptcy Court approved the Debtor's entry into a Memorandum of Understanding with TBHC (the "**TBHC MOU**") intended to help reconfigure, enhance, and expand resources to improve the provision of healthcare to IMC's community. See Docket No. 348. Among other things, the TBHC MOU set forth the general terms pursuant to which IMC and TBHC would continue their negotiations and due diligence efforts concerning a potential business integration. Additionally, the TBHC MOU provided there would be commercially reasonable, good faith efforts to maintain the New IMC as a general hospital with inpatient services, but did not commit to that result. The TBHC MOU also precluded IMC from soliciting alternative transactions while TBHC performed its due diligence. Unfortunately, months passed and TBHC never initiated the formal due diligence process. IMC understands TBHC required and had been promised $1.6 million of New York State financing to fund TBHC's due diligence, but such funding never materialized.

(b) **Other Progress Towards Confirmation of a Chapter 11 Plan.**

Particularly as the prospects for a transaction with TBHC faded, IMC worked to identify and pursue alternatives that would preserve operations at IMC. During the limited time available to IMC to explore alternatives, IMC's efforts did not yield a transaction with a third party that would support operations by IMC. Nonetheless, IMC developed multiple draft restructuring business plans that could form the basis for a stand-alone restructuring of IMC and prepared a related chapter 11 term sheet. Also, IMC pursued and obtained an agreement for DASNY to provide IMC debtor in possession financing to help IMC continue its operations while a comprehensive restructuring blueprint for many of Brooklyn's hospitals was being developed or to bridge IMC until a potential stand-alone plan for IMC was finalized and approved by DOH.

As part of its exit strategy, the Debtor also negotiated a memorandum of understanding with DASNY (the creditor holding by far the largest secured and unsecured Claims against the Debtor) regarding, among other things, plan treatment of DASNY's multiple claims, chapter 11 financing arrangements, and related issues (the "**DASNY MOU**"). The original DIP Order entered on September 30, 2013, also established the basis for the settlement of all of DASNY's prepetition and postpetition Claims against the Debtor through the so-called DIP Transaction. The DIP Transaction contemplated that the Debtor would fully implement the Closure and Transition Plan (i.e., the closure of IMC's hospital and the transfer of IMC's clinics by December 31, 2013. Then DASNY (or a DASNY subsidiary) would have received or controlled the use of, among other things, IMC's hospital property, which was to be leased by DASNY for uses corresponding to the healthcare needs of IMC's community.

The DIP Transaction also provided that IMC would retain, free and clear of any liens or Claims of DASNY, certain Estate assets that were not being transferred to DASNY or its designee, including remaining Cash on hand, certain causes of action, and accounts receivable. IMC then was to use the proceeds from those assets to satisfy Administrative Claims and if funds still remained available, make distributions on General Unsecured Claims.

Due to the passage of time and intervening events, including a decision to keep IMC's hospital operating in some form at least for an extended period, certain modifications were made to the DIP Order and the original DIP Transaction was superseded. Specifically, the Debtor and DASNY reached further agreements as to the settlement and Plan treatment of DASNY's Claims through the Term Sheet, and ultimately a revised term sheet that formed the basis for the Plan. See section 4.5.

Contemporaneously, IMC engaged in plan related negotiations with certain key constituents other than DASNY. For example, the Bankruptcy Court's orders resolving both the Debtor's motion to extend the automatic stay's protection to most of the Debtor's staff and the motion of the Ad Hoc Doctors' Group and the Committee of Interns and Residents ("**CIR**") seeking allowance of an Administrative Claim based on potential postpetition medical malpractice indemnity claims led to productive discussions regarding plan treatment of medical malpractice claims against the Debtor, as well as the establishment of a $400,000 restricted fund to cover medical malpractice related indemnity claims against IMC (the "**Indemnity Reserve**

**Fund**”). (That fund now will be utilized to help fund the treatment of Postpetition Medical Malpractice Claims under the Plan and thereby help resolve related Indemnification Claims.)

### 4.5 *Events Leading to Current Chapter 11 Plan.*

#### (a) **Closure and Transition Plan.**

After submitting multiple reorganization business plans to DOH and DASNY, in July 2013, IMC received letters from DOH and DASNY directing IMC to begin work on a plan of closure. In particular, DOH sent IMC a letter, dated July 19, 2013, advising IMC that its latest proposed reorganization business plan was not acceptable to DOH, could not be resubmitted, and, therefore, IMC should commence work on a closure plan. IMC responded to DOH by letter, dated July 22, 2013, advising DOH of certain considerations that IMC believed should cause DOH to revise certain DOH views expressed in DOH’s July 19 letter, clarified other points, and requested to meet with DOH immediately to work together on an acceptable restructuring plan. DOH did not accept IMC’s requests.

Subsequently, by letter, dated July 24, 2013, DASNY advised IMC that: (a) DASNY did not believe any additional funding for IMC would come from New York State or any other source other than in connection with IMC’s prompt closure; (b) DASNY’s consent to IMC’s continued use of cash collateral was conditioned on IMC’s agreement to implement a closure plan; and (c) DASNY expected IMC to file a motion seeking Bankruptcy Court authorization for the Debtor to implement such closure plan by July 29, 2013.

Accordingly, on July 24, 2013, IMC’s Board determined to develop and seek Bankruptcy Court authorization to implement a plan for the closure and transition of IMC’s inpatient care facilities, and to provide for the identification of alternative providers for the continuance of certain outpatient programs and the transfer of outpatients to alternative providers if such arrangements could not be made (collectively, the “**Closure and Transition Plan**”). The Board reached this difficult decision after concluding that: (x) IMC had exhausted its pending efforts to preserve IMC as an inpatient hospital, particularly, due to the directives set forth in the then recent DOH and DASNY letters; and (y) only by cooperating with DOH and DASNY would IMC have any chance of convincing them and New York State to change course and save IMC’s operations. Moreover, without immediately seeking Bankruptcy Court approval to implement a closure and transition plan, IMC would have had no access to cash collateral or DIP financing and therefore, no funding to continue operations and survive (as well as to maintain patient safety) until a solution to preserve IMC could be identified. Consequently, IMC’s Board believed it was left with no choice in fulfilling its duties to IMC’s creditors and community as well as to ensure patient safety.

On July 25, 2013, the Debtor submitted a draft form of the Closure and Transition Plan to DOH for approval. On July 30, 2013, the Debtor filed a motion with the Bankruptcy Court seeking entry of an order authorizing the Debtor to implement, in accordance with New York State law, the Closure and Transition Plan (the “**Closure and Transition Motion**”).

In connection with the approval of the Closure and Transition Motion, IMC sought approval of a Memorandum of Understanding (“**MOU**”) between IMC and Kingsbrook

Jewish Medical Center ("**KJMC**"). The KJMC MOU addressed, among other things, the then-anticipated transition of certain IMC Clinics to KJMC in connection with implementation of the Closure and Transition Plan.

A number of objections were filed to the Closure and Transition Motion, several of which the Debtor was able to consensually resolve. An evidentiary hearing on the Closure and Transition Motion was held on November 13, 2013.

(b) **Mediation Regarding Closure and Transition Plan Issues.**

At the end of the hearing on the Closure and Transition Motion, the Bankruptcy Court reserved decision on the motion and ordered the Debtor, DOH, DASNY, 1199, NYSNA, CIR, the Ad Hoc Doctors Group, and the IM Foundation (the "**Mediating Parties**") to enter into mediation to attempt to address the outstanding objections to the Closure and Transition Motion and to evaluate any alternatives to the Closure and Transition Plan. The Honorable Elizabeth Stong was the mediator. The mediation tentatively concluded on Friday, December 20, 2013 without resolution.

Meanwhile, on December 19, 2013, at DASNY's request, the Bankruptcy Court granted a portion of the relief requested in the Closure and Transition Motion by entering an order authorizing the Debtor to transfer Clinic operations to KJMC in accordance with the KJMC MOU [Docket No. 840] (the "**Clinics Transfer Order**"). The Clinics Transfer Order was entered based on representations the order was needed to facilitate KJMC's preparation for the clinics transfer and that the Clinics Transfer Order would not interfere with the mediation or any other discussion concerning the fate of IMC's Hospital. Further, the Clinics Transfer Order was entered without prejudice to any other aspect of the Closure and Transition Motion and provided that all parties' rights regarding the remainder of the relief sought in that motion were reserved.

In light of the results of the mediation to that point, on December 23, 2013, IMC was to submit a proposed order authorizing the Debtor to implement, in accordance with New York State law, the Closure and Transition Plan for the Debtor's Hospital and Certain Affiliated Outpatient Clinics and Practices. The form (but as to objecting parties, not the substance) of the proposed order had been agreed to by all of the Mediating Parties.

(c) **Continuation of IMC's Operations.**

Nonetheless, early on December 23, 2013, DOH: (a) instructed IMC not to submit the proposed order on the Closure and Transition Plan to the Bankruptcy Court; (b) instructed IMC to continue to operate its Hospital through at least early March 2014; (c) promised IMC $3.5 million to fund those continued operations (and presumably more, as IMC had advised DOH that $3.5 million would not be sufficient for IMC to continue operating its Hospital through early March 2014); and (d) directed IMC to continue preparation to transfer the clinics. DASNY supported DOH's instructions to IMC and agreed to work with DOH as the conduit for the additional $3.5 million (or greater amount) of funding for IMC through an increase in DASNY's DIP loan commitment to IMC.

Subsequently, IMC's Board of Trustees determined to delay (not cancel) the transition of IMC's clinics to KJMC, which transition previously had been scheduled for January

26, 2014, until the fate of IMC's Hospital was determined with certainty. Among other things, the Board reasoned that patient referrals from the Clinics to IMC's Hospital were critical to the Hospital's operations. However, DOH and DASNY asserted the January 26 date for transfer of IMC's Clinics could not be deferred and did not depend on resolving the fate of IMC's Hospital. Based on that assertion, DOH and DASNY insisted IMC must go forward with the Clinics transition before IMC could obtain or utilize any funding previously promised by DOH and DASNY to finance IMC's operations during 2014. IMC's Board refused.

(d) **Notice of Defaults Under the DIP Loan.**

Consequently, on January 16, 2014, DASNY filed a letter requesting a Court conference to discuss IMC's alleged defaults under the Final DIP Order and the DIP Loan Documents [Docket No. 853]. DASNY also filed a Notice of Defaults outlining the alleged specified Events of Default (the "**Notice of Defaults**") [Docket No. 852]. The same day, IMC filed a responsive letter disputing the accuracy of the Notice of Defaults and asserting that any actual defaults had been caused by DASNY and DOH [Docket No. 854].

A status conference on the Notice of Defaults was held on January 21, 2014 [Docket No. 856]. The Bankruptcy Court then directed the Mediating Parties to engage in further mediation with Judge Stong regarding the alleged defaults, IMC's responses, and related issues.

(e) **New IMC/DASNY Agreement.**

In connection with that resumed mediation, DASNY and IMC agreed to resolve the Notice of Defaults disputes by: (a) DASNY providing certain additional financing to IMC; (b) DASNY and IMC agreeing to a term sheet regarding all of DASNY's financing, the continued future operation of IMC's Hospital and Clinics, and the allocation of assets and liabilities in an IMC chapter 11 plan; and (c) a change of IMC's senior management. One immediate follow up was that on January 27, 2014, the Bankruptcy Court approved a proposed stipulation and order modifying the DIP Order, increasing the amount of IMC's DIP facility. Annexed to that Stipulation (solely for informational purposes) was a draft term sheet addressing the broader agreement between DASNY and IMC (the "**Term Sheet**").

(f) **The Initial Plan Term Sheet.**

On January 31, 2014, the Debtor filed a separate motion (the "**Term Sheet Motion**") for an order: (a) approving the Term Sheet between the Debtor and DASNY; (b) authorizing the Debtor to implement the Term Sheet; (c) vacating the automatic stay to the extent necessary to permit the appointment of a temporary operator for IMC; (d) amending the DIP Order; and (e) granting related relief.

The Term Sheet embodied a new global settlement between the Debtor and DASNY that: (a) would (i) provide the Debtor with substantial funding to ensure IMC's administrative solvency (and the potential for distributions to IMC's general unsecured creditors) plus (ii) facilitate the continued operation of IMC's Hospital and Clinics for an extended period that ultimately could lead to their long term survival after implementation of the Plan; while

(b) addressing DASNY's (and DOH's) concerns about IMC's continued operations by having DOH determine the identity of the post-March 14, 2014 senior manager of the Hospital and Clinics. IMC's new senior manager then was contemplated to be a temporary operator appointed by the DOH pursuant to New York State law and with IMC's consent.

Several objections were filed to the Term Sheet Motion, including an objection by the U.S. Trustee, who also filed a separate motion to appoint a chapter 11 trustee for IMC in lieu of the temporary operator [Docket No. 884]. The U.S. Trustee's primary argument was that DOH's appointment of a temporary operator for IMC was not permitted under the Bankruptcy Code and only a chapter 11 trustee chosen by the U.S. Trustee could be appointed.

During a Court conference call regarding scheduling for the Term Sheet Motion and the U.S. Trustee's motion to appoint a chapter 11 trustee, the Bankruptcy Court ordered mediation to resume among the Debtor, DASNY, DOH, and the U.S. Trustee in an effort to consensually resolve the parties' differences.

(g) **New Chief Restructuring Officer.**

During the renewed mediation, the Debtor, DASNY, DOH, and the U.S. Trustee reached an agreement that IMC would retain a new chief restructuring officer for the Debtor (the "**New CRO**") in lieu of a temporary operator, until the Effective Date of the Plan. The New CRO would handle big picture issues such as obtaining funding from DSRIP (the Delayed System Reform Incentive Program), community relations and negotiations, healthcare coordination, negotiations with potential operating partners, and interactions with IMC's key creditors, employee representatives, and community. The mediation agreement also contemplated IMC's retention of a new CEO to oversee IMC's day to day operations and assist with restructuring operations of IMC's Hospital and Clinics.

The Debtor filed a separate motion to retain Melanie Cyganowski as IMC's New CRO and to retain Steven Korf (through ToneyKorf Partners LLC) as IMC's new CEO. Effective March 26, 2014, the New CRO stepped in to oversee IMC's Hospital and Clinics, with the new CEO running the day-to-day operations. Pursuant to the Plan, after the Plan's Effective Date, the New CRO would become the Temporary Operator of Reorganized IMC pursuant to New York Public Health Law § 2806-a.

(h) **Revised Plan Term Sheet.**

The Debtor and DASNY continued to revise the chapter 11 plan Term Sheet. While that revised version eventually was superseded by the Plan itself, the revised Term Sheet facilitated progress on the Plan.

# ARTICLE V.

## SUMMARY OF THE PLAN

**THIS SUMMARY IS NOT AS COMPLETE AS, AND IS SUBJECT TO, THE FULL TEXT OF THE PLAN, WHICH IS EXHIBIT 1 TO THIS DISCLOSURE STATEMENT.**

### 5.1 *Summary of Anticipated Operations After the Effective Date*

IMC understands DOH is committed to funding the operations of IMC's Hospital and Clinics from the present until approximately March 2015, subject to the proviso that during that time period Hospital and Clinic operations might be modified and the Clinics might be transferred. Hence, the Reorganized Debtor's operational and restructuring goals will be to preserve the delivery of critical healthcare services in IMC's community while complying with applicable restrictions on funding. Meanwhile, after the Effective Date, IMC's post March 2015 operations will be evaluated. Decisions as to all such matters will be made by IMC's new CRO, who will become IMC's Temporary Operator on the Effective Date, in consultation with IMC's new CEO, DOH, and DASNY.

### 5.2 *Summary of Distributions Under the Plan.*

Under the Plan, each holder of an Allowed Claim in a particular Class will receive the same treatment as the holders of all other Allowed Claims in the same Class, whether or not such holder votes to accept the Plan, unless such holder agrees to accept less favorable treatment. Upon confirmation of the Plan, it will be binding on all of the Debtor's creditors regardless of whether or not such creditors voted to accept the Plan. Such treatment will be in full satisfaction and release of and in exchange for such holder's Claim(s) against the Debtor, except as otherwise provided in the Plan.

(a) **Treatment of Unclassified Claims.**

The Bankruptcy Code does not require classification of certain priority claims against a debtor. In the Plan, such unclassified Claims include Administrative Claims (including, among other things, Postpetition Medical Malpractice Claims, Fee Claims, and Claims for U.S. Trustee Fees). Their Plan treatment is set forth below.

**(1) Certain Administrative Claims.**

Under the Plan, Administrative Claims include any Claim, other than a DASNY Claim, for payment of costs or expenses of administration specified in sections 503(b) and 507(a)(1) of the Bankruptcy Code. Administrative Claims include, without limitation, the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries or commissions for services rendered).

On the Distribution Date (i.e., the later of: (i) the Effective Date (i.e., the date the Plan is consummated); (ii) the date a Claim is Allowed; or (iii) as soon as practicable after (i) or (ii)), except to the extent a holder of an Allowed Administrative Claim agrees to different

treatment, which treatment shall be acceptable in the sole discretion of the Disbursement Agent, each such Allowed Claim (not including Postpetition Medical Malpractice Claims, Fee Claims and Claims for U.S. Trustee Fees, each of which are addressed separately below), shall be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code. Nevertheless, Allowed Administrative Claims incurred in the ordinary course of business and on ordinary business terms unrelated to the administration of the Chapter 11 Case (such as Allowed trade and vendor Claims) shall be paid, at the Reorganized Debtor's option, in accordance with ordinary business terms for payment of such Claims.

The amount of funds to be provided by DASNY pursuant to the DIP Facility for payment of all Allowed Administrative Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement[5] filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Administrative Claims. All such payments (i.e., pursuant to Section 4.1 of the Plan) will be made by the Disbursement Agent.

**(2) Postpetition Medical Malpractice Claims.**

Under the Plan, holders of Allowed Postpetition Medical Malpractice Claims not subject to the Election (as described in Section 6.1 of the Plan and section 5.3(a) of this Disclosure Statement) shall, in full satisfaction of such Claims as well as any related Covered Persons Claims: (a) receive payment from the Disbursement Agent from: (i) funds provided by DASNY pursuant to the DIP Facility on or prior to the Effective Date; plus (ii) the $400,000 Indemnity Reserve Fund created by IMC (utilizing DASNY's cash collateral and an I M Foundation contribution), all of which shall be held for Distribution in a segregated account by the Disbursement Agent; or (b) otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code.

The total amount of funds to be provided by DASNY pursuant to the DIP Facility (together with the Indemnity Reserve Fund) for payment of all such Allowed Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Postpetition Medical Malpractice Claims. Any excess funds in such segregated account after the earlier of: (x) the tenth anniversary of the Effective Date; and (y) the date all such Claims have been resolved and paid, shall be paid to DASNY's designee.

**(3) Fee Claims.**

Under the Plan, Fee Claims include any Claim by: (a) a Professional Person for compensation or reimbursement pursuant to section 327, 328, 330, 331, 503(b), or 1103(a) of the Bankruptcy Code in connection with the Chapter 11 Case; (b) a member of the Creditors' Committee for reimbursement of expenses arising under section 503(b)(3)(F) of the Bankruptcy

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[5] The Debtor intends to file the Plan Supplement not less than seven (7) days before the Confirmation Objection Deadline.

Code; (c) the Ombudsman and its counsel; (d) John Leech as CRO; (e) Gordian Dynamis Solutions LLC; (f) Melanie Cyganowski, as CRO; or (e) ToneyKorf Partners LLC.

(i) **Filing and Payment.**

A Fee Claim for which a final fee application has been properly filed and served pursuant to Section 7.7(a) of the Plan shall be payable by the Disbursement Agent to the extent approved by a Final Order of the Bankruptcy Court.

(ii) **Estimates and Reserve.**

Each holder of a Fee Claim shall be required to submit to the Debtor at least seven days prior to the Confirmation Date a written estimate of the portion of its Fee Claim that will have accrued prior to and including the Confirmation Date, but that has not yet been included in a monthly fee statement or interim fee application previously submitted by such holder (collectively, the "**Estimated Fee Claims**"). On the Confirmation Date, the Debtor shall reserve and hold in an account Cash equal to the aggregate amount as of the Confirmation Date of each unpaid Estimated Fee Claim plus all unpaid amounts or holdbacks from monthly fee statements or interim fee applications (minus any unapplied retainers). All parties entitled to file Fee Claims shall be entitled to reasonable compensation for fees and expenses incurred through the Effective Date, subject to any necessary approval by the Bankruptcy Court. On the Effective Date, such Cash plus an amount equal to the estimated amount of unpaid Fee Claims accrued from the Confirmation Date to the Effective Date as well as the estimated amount of Fee Claims to be incurred after the Effective Date other than for services for the Reorganized Debtor shall be transferred to the Disbursement Agent and maintained in a separate reserve account at a financial institution pending distribution to holders of Allowed Fee Claims. Such Cash shall be disbursed solely to the holders of Allowed Fee Claims as soon as reasonably practicable after a Fee Claim becomes an Allowed Claim. Upon payment of Allowed Fee Claims, any Cash remaining in such account sufficient to satisfy all other unresolved Allowed Fee Claims shall be reserved until they have been paid in full or all remaining Fee Claims have been Disallowed or not otherwise permitted to be paid by Final Order, at which time(s) any remaining Cash held in reserve respecting the Estimated Fee Claims shall become the property of DASNY's designee.

(iii) **Objections**.

Objections to Fee Claims, if any, must be filed and served pursuant to the procedures set forth in the Confirmation Order no later than the latest of forty-four (44) days after the Effective Date, 14 days after the date such Fee Claim is filed, or such other date as established by the Bankruptcy Court.

**(4) Claims for U.S. Trustee Fees.**

Under the Plan, on the Effective Date or as soon as practicable thereafter, the Disbursement Agent shall pay all U.S. Trustee Fees then due. Any U.S. Trustee Fees due thereafter shall be paid by the Disbursement Agent or the Liquidating Trust (as applicable based on Distributions respecting holders of Allowed Claims) until the earlier of the entry of a final decree closing the Chapter 11 Case, or a Bankruptcy Court order converting or dismissing the

case. Any deadline for filing other Administrative Claims or Fee Claims shall not apply to U.S. Trustee Fees.

(b) **Treatment of Classified Claims.**

The following describes the Plan's classification of the remaining Claims and the treatment of Allowed Claims in such Classes:

**(1) Class 1—Priority Claims.**

Under the Plan, Priority Claims include any Allowed Claim against the Debtor entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) Administrative Claims; (b) Priority Tax Claims; or (c) DASNY Claims, to the extent such Claim has not already been paid during the Chapter 11 Case. The Debtor estimates Allowed Priority Claims will aggregate approximately $1,900,000 - $3,300,000, which estimate is subject to adjustment prior to the Confirmation Date.

On the Distribution Date, except to the extent a holder of an Allowed Priority Claim agrees to different treatment, which treatment shall be acceptable in the sole discretion of the Disbursement Agent, each such Allowed Claim shall be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code; provided, however, that any Allowed Priority Claim that is based on any employee's entitlement to paid time off shall be satisfied by the Reorganized Debtor's assumption of the paid time off obligation if such employee is employed by the Reorganized Debtor on the Effective Date.

The amount of funds to be provided by DASNY pursuant to the DIP Facility for payment of all Allowed Priority Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Priority Claims. All payments on Allowed Priority Claims shall be made by the Disbursement Agent.

(i) **PBGC Claims.**

The Debtor sponsors and maintains two defined benefit pension plans, known as the Health Services Retirement Plan (the "**Health Services Pension Plan**") and the Interfaith Medical Center Nurses Pension Plan (the "**Nurses Pension Plan**," collectively, the "**Pension Plans**"). The Pension Benefit Guaranty Company (the "**PGBC**") asserts the Pension Plans are covered by Title IV of the Employment Retirement Income Security Act of 1974, as amended ("**ERISA**") (29 U.S.C. § 1301 *et seq.*). Effective as of December 31, 2005, benefits ceased to accrue for participants under the Health Services Pension Plan. Effective as of January 1, 2006, employees formerly covered under the Health Services Pension Plan were entitled to receive benefits under the Nurses Pension Plan.

The Pension Plans may, in the course of the Chapter 11 Case, terminate under the distress termination provisions of 29 U.S.C. § 1341(c) or under the provisions for the PBGC

initiation of 29 U.S.C. § 1342(a). The PBGC asserts that in the event of termination of the Pension Plans, the Debtor[6] would be liable for the unfunded benefit liabilities of the Pension Plans. See 29 U.S.C. § 1362(b). The PBGC has filed estimated contingent Claims in the Chapter 11 Case for unfunded benefit liabilities owed to the Health Services Pension Plan in the amount of $20,125,925, and the Nurses Pension Plan in the amount of $48,394,719. The PBGC asserts these Claims are entitled to priority in an unliquidated amount under sections 507(a)(2) and (a)(8) of the Bankruptcy Code, which would be in Classes 1 and 2 of the Plan, respectively.

The Debtor expects there to be a distress or PBGC-initiated termination of both Pension Plans and will be seeking such relief. The PBGC asserts that if such a distress termination of the Pension Plans is sought, then: (a) the timing of confirmation and consummation of the Plan almost certainly will be delayed from the scheduled timing in May 2014, until probably by at least 60 days later, but possibly more; (b) it will be the Debtor's burden to prove that the criteria for a distress termination are met; (c) the Bankruptcy Court will be charged with making factual findings under the "reorganization in bankruptcy test"; and (d) approval of termination of the Pension Plans by the PBGC and the Bankruptcy Court would be uncertain. The Debtor disagrees with certain of the PBGC's assertions, including those regarding potential delay.

The PBGC asserts the Debtor is (and all members of its controlled group, if any, are) obligated to pay the contributions necessary to satisfy the minimum funding standards under sections 412 and 430 of the Internal Revenue Code and sections 302 and 303 of ERISA. The PBGC has filed estimated Claims under 29 U.S.C. § 1362(c) asserting that contributions are owed to the Health Services Pension Plan in the amount of $2,304,163, and to the Nurses Pension Plan in the amount of $7,204,819. Respecting the Health Services Pension Plan, the PBGC asserts that $70,466 is entitled to administrative priority under section 507(a)(2) and $87,258 is entitled to priority under section 507(a)(5). Respecting the Nurses Pension Plan, the PBGC asserts that $867,625 is entitled to administrative priority under section 507(a)(2) and $952,280 is entitled to priority under section 507(a)(5). All of such Claims would be in Class 1 under the Plan.

The PBGC asserts the Debtor is (and all members of its controlled group, if any, are jointly and severally) liable to the PBGC for all unpaid premium obligations owed by the Debtor on account of the Pension Plans. See 29 U.S.C. § 1307. The PBGC has filed two unliquidated Claims in the Chapter 11 Case for statutory premiums owed to the PBGC on behalf of the Pension Plans.

The PBGC asserts that if either of the Pension Plans terminate in a distress or PBGC-initiated termination, then the plan sponsor (and any controlled group members) would be liable to the PBGC for a termination premium at the rate of $1,250 per plan participant per year for three years under 29 U.S.C. § 1306(a)(7). The PBGC asserts that if the Pension Plans are terminated prior to confirmation of the Debtor's Plan, then the obligation to the PBGC for

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[6] Respecting the Pension Plans, the PBGC asserts there would be liability for all members of the Debtor's control group, but the Debtor is not aware of any other Person that would be in a control group for the Debtor.

termination premiums would not exist until after the Plan is confirmed and the sponsor has (and any controlled group members have) exited bankruptcy. The PBGC asserts that under these circumstances, termination premiums would not be a dischargeable claim or debt within the meaning of the Bankruptcy Code. The PBGC estimates the amount of the termination premium liability for the Pension Plans on a combined basis would approximate $5.38 million. The Debtor reserves all rights respecting any such asserted termination premium and any other assertions of the PBGC.

**(2) Class 2—Priority Tax Claims.**

Under the Plan, Priority Tax Claims include any Claim by a governmental unit of the kind specified in section 507(a)(8) of the Bankruptcy Code. The Debtor estimates Allowed Priority Tax Claims will aggregate approximately $66,000 - $600,000, which estimate is subject to adjustment prior to the Confirmation Date.

On the Distribution Date, except to the extent a holder of an Allowed Priority Tax Claim agrees to different treatment, which treatment shall be acceptable in the sole discretion of the Disbursement Agent, each holder of such an Allowed Claim shall receive Cash in an amount equal to such Allowed Priority Tax Claim or other treatment consistent with section 1129(a)(9) of the Bankruptcy Code.

The amount of funds to be provided by DASNY pursuant to the DIP Facility for payment of all such Allowed Priority Tax Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Priority Tax Claims. All payments on Allowed Priority Tax Claims shall be made by the Disbursement Agent.

**(3) Class 3—Other Secured Claims.**

Under the Plan, Other Secured Claims include, other than a DASNY Claim, that portion of a Claim that is secured by a valid, perfected, and enforceable security interest, lien, mortgage, or other encumbrance, that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of a Debtor in and to property of such Debtor's Estate, to the extent of the value of the holder's interest in such property as of the relevant determination date. The Debtor estimates the aggregate amount of Class 3 Other Secured Claims, excluding any Claims based on setoff or recoupment, approximates $630,000 - $700,000, which estimate is subject to adjustment prior to the Confirmation Date.

On the Distribution Date, except to the extent a holder of an Allowed Other Secured Claim agrees to different treatment, each holder of such an Allowed Claim shall receive: (i) Cash in an amount equal to such Allowed Claim; or (ii) the collateral securing such Allowed Claim. Responsibility for any such payment be shall be, as applicable: (x) DASNY (or the Disbursement Agent) or DASNY's designee (solely respecting Allowed Claims secured by collateral being conveyed to DASNY or its designee pursuant to the Plan); (y) DASNY (or the Disbursement Agent) or the Reorganized Debtor (solely respecting Allowed Claims secured by collateral being retained by the Reorganized Debtor pursuant to the Plan); or (z) the Liquidating

Trust (solely respecting Allowed Claims secured by collateral, if any, being conveyed to the Liquidating Trust pursuant to the Plan).

**(4) Class 4—DASNY Claims.**

(a) **Description.**

DASNY's asserted secured Claims total approximately $165 million, consisting of $119,312,276.30 respecting Prepetition Loan Obligations and approximately $45.1 million under the DIP Facility (of which approximately $30 million will be drawn as of the Confirmation Date and the remainder will be drawn on the Effective Date), and are secured by substantially all of the Debtor's assets, including the Debtor's real property, furniture, fixtures, equipment, inventory, and accounts receivable. DASNY also has an unsecured Claim of not less than $12,181,775.25 respecting DASNY's prepetition unsecured Fund B Loan plus an unsecured deficiency Claim to the extent the value of DASNY's collateral is less than DASNY's applicable secured Claims. As the collateral securing DASNY's asserted secured Claims is worth far less than $165 million, DASNY's Class 4 Claims are assumed to approximate $77 million and DASNY's General Unsecured Claim is assumed to approximate $100 million.

(b) **Treatment**

On the Effective Date, in full satisfaction of all of DASNY's Claims against the Debtor, including any DIP Claims, Superpriority Claims, Administrative Claims, Priority Claims, Prepetition Secured Claims, and General Unsecured Claims (except as provided below and in Section 5.6 of the Plan regarding DASNY's Class 6 Claim), the Disbursement Agent, DASNY's designee, or the Reorganized Debtor (with DASNY determining in its sole discretion which assets shall be retained by the Reorganized Debtor and which assets shall be conveyed free and clear of any liens, claims, charges, pledges, encumbrances, and/or interests of any kind[7] to DASNY's designee) shall receive all assets of the Debtor (except for those assets the Plan or DASNY determines are to be conveyed to the Liquidating Trust or abandoned), including, without limitation: (a) all real property; (b) all real property leases and other executory contracts; (c) all inventory, furniture, fixtures, and equipment; (d) all accounts receivable for Hospital services; (e) any grants or other funding due to the Debtor; (f) all of the Debtor's medical records; provided, however, the Liquidating Trust shall continue to have reasonable access to such records as needed; (g) all Healthfirst equity interests; (h) all funds set aside by the Debtor for the payment of Allowed Postpetition Medical Malpractice Claims; (i) all funds to be deposited in the Covered Persons Fund; and (j) all funds provided to the Debtor pursuant to the DIP Facility; provided, however, that the Debtor's Medicare provider agreements shall be assumed and retained by the Reorganized Debtor. DASNY also shall receive Plan releases as described in section 6.14(d), below and Section 9.5(d) of the Plan.

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[7] The United States Department of Health and Human Services ("**HHS**") asserts the Plan may not extinguish or limit any federal interest respecting property or equipment purchased by the Debtor with grant money provided by HHS, but HHS identifies no such property or equipment.

The Allowed Class 4 Claim shall, if necessary, be estimated for voting purposes at an agreed upon amount. Additionally, DASNY shall have an Allowed General Unsecured Claim in Class 6 for voting purposes, but DASNY shall not be entitled to any Distribution on that Claim if Class 6 accepts the Plan.

Upon entry of the Confirmation Order, but subject to occurrence of the Effective Date, DASNY shall retain all rights, Claims, and liens available pursuant to the DIP Facility and the Prepetition Loan Documents. For the avoidance of doubt, the prohibitions in Paragraph 20 of the DIP Order concerning the use of proceeds of the DIP Facility, DIP Collateral, Prepetition Collateral, Cash Collateral, or the Carve-Outs (as each such term is defined in the DIP Order) to assert any claims, actions, or causes of action against DASNY shall survive confirmation and consummation of the Plan.

(c) **Committee Objections.**

The Creditors' Committee believes that the Plan cannot be confirmed, among other reasons, because of the Plan's proposed treatment of the DASNY Claims. As described in the Disclosure Statement, DASNY was a prepetition lender to the Debtor and thereby held certain prepetition secured and unsecured Claims against the Debtor. After the Petition Date, DASNY became the DIP Lender to the Debtor and thereby holds certain DIP Claims against the Debtor. The Creditors' Committee believe that the Plan provides that all of the DASNY Claims will vote and be resolved in Class 4, except for DASNY's General Unsecured Claims, which will vote in Class 6.

The Creditors' Committee believes that Class 4 cannot vote because it consists entirely of postpetition Claims. DASNY's prepetition secured Claims have been primed by DASNY's postpetition DIP Claims and by DASNY's postpetition adequate protection Claims pursuant the terms of the Court's order dated September 30, 2013, which approved the DIP Facility on a final basis and authorized the Debtor to use DASNY's cash collateral (Docket No. 747). The Creditors' Committee believes that the Court is likely to find that the value of DASNY's prepetition collateral is less than the value of DASNY's DIP Claims and its postpetition adequate protection Claims. Accordingly, the Creditors' Committee believes that all of DASNY's prepetition Claims are now General Unsecured Claims that will vote as part of Class 6, and that the postpetition Claims in Class 4 are not eligible to vote.

Similarly, the Creditors' Committee believes that classifying any postpetition Claims violates section 1123(a)(1) of the Bankruptcy Code and that the Plan violates section 1123(a)(1) because it places DASNY's postpetition Claims in Class 4.

The Debtor disagrees with the Committee's view that the Plan may not be confirmed due to the Plan's classification and treatment of the DASNY Claims. First, the Debtor believes the Creditors' Committee is incorrect on the facts because as of the Confirmation Date, the value of DASNY's collateral will exceed the aggregate amount of DASNY's postpetition Claims and, therefore, DASNY would have a prepetition secured Claim in Class 4. Regardless, as the Plan includes a compromise of DASNY's Claims, a portion of DASNY's postpetition Claims may be deemed to have been waived if necessary to confirm the Plan. Second, the Debtor believes the Creditors' Committee is incorrect on the law because while section

1123(a)(1) requires the classification of certain Claims, it does not prohibit the classification of or voting by other Claims, such as DASNY's postpetition Claims. Further, the Debtor believes classification of DASNY's postpetition Claims is particularly appropriate in the Plan because DASNY is the only creditor whose Claims are classified in Class 4 and DASNY is accepting treatment under the Plan of DASNY's Class 4 Claims significantly less favorable than what the Bankruptcy Code otherwise requires for such Claims.

**(5) Class 5—East Building Claims.**

(a) **Settlement Option.**

If 1545 Atlantic accepts the Plan, then upon the Confirmation Date, but subject to the occurrence of the Effective Date, the two agreements, dated May 17, 2004, between the Debtor and 1545 Atlantic denominated a "Development Lease" and an "Occupancy Lease" shall be recharacterized as a single financing agreement for an unsecured loan from 1545 Atlantic to the Debtor, with the Debtor then having title to the related land and improvements known as the "East Building," free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY.

In full satisfaction of any Claims of 1545 Atlantic based on those recharacterized agreements, 1545 Atlantic shall receive or retain: (a) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (b) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (c) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (d) $25,000 per month paid by the Debtor or DASNY's designee (as applicable) for the period April 1, 2014 through March 31, 2015; and (e) an Allowed General Unsecured Claim in Class 6 of $5,000,000.

(b) **Litigation Option.**

If 1545 Atlantic rejects the Plan, then: (a) 1545 Atlantic's leases shall be either: (i) recharacterized as a disguised financing pursuant to the Plan or, if necessary, pursuant to an adversary proceeding in the Bankruptcy Court; or (ii) rejected pursuant to the Plan and section 365, and notwithstanding section 365(h), the East Building shall be assigned by the Debtor pursuant to section 363(b) and the Plan to DASNY's designee free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY. In either case, 1545 Atlantic then shall receive or retain: (v) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (w) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (x) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (y) payment(s) in amounts and at times determined by the Bankruptcy Court to be payable to 1545 Atlantic as adequate protection for any leasehold interest or respecting its rights under its subordination agreement with DASNY; and (z) an allowed General Unsecured Claim in Class 6 in an amount to be determined by the Bankruptcy Court.

**(6) Class 6—General Unsecured Claims.**

(a) **Provisions Governing All Class 6 Claims.**

Class 6 consists of the Holders of unsecured non-priority Claims, including Prepetition Medical Malpractice Claims. All Holders of Allowed General Unsecured Claims shall receive Pro Rata Distributions from all funds available from the Liquidating Trust after satisfaction of its fees, expenses, and other liabilities. Certain Allowed Prepetition Medical Malpractice Claims also shall receive the additional treatment discussed below.

Class 6 is entitled to vote on the Plan. DASNY's Class 6 Claim shall be estimated for voting purposes at an agreed upon amount equal to DASNY's deficiency Claims plus its unsecured Claims, with DASNY waiving any Distribution on such Allowed Class 6 Claim if Class 6 accepts the Plan.

(b) **Covered Person Claims, i.e, Claims Against Covered Persons Related to Prepetition Medical Malpractice Claims.**

A holder of an Allowed Prepetition Medical Malpractice Claim shall be treated as a holder of an Allowed Class 6 Claim and to the extent such holder is also: (i) a holder of a Covered Person Claim, i.e. a medical malpractice claim against a Covered Person that: (A) would give rise to an Allowed Indemnification Claim by such Covered Person; and (B) is not covered by third party insurance; and (ii) and does not make the Election (i.e., to pursue recoveries solely from third party insurance), as described in section 6.1 of the Plan and section 5.3(a) of this Disclosure Statement, shall also receive a Pro Rata Distribution by the Disbursement Agent from the Covered Persons Fund (i.e., a separate fund established for payment of such Allowed Claims, to be comprised of contributions by or on behalf of Covered Persons (i.e., physicians, residents, fellows, nurses, or other employees of the Debtor entitled to indemnification by the Debtor for medical malpractice claims), including from individuals, CIR, and potentially other sources), up to maximum amount per Allowed Prepetition Medical Malpractice Claim to be included in the Plan Supplement.[8] Thus, holders of Allowed Prepetition Medical Malpractice Claims and holders of other Allowed Class 6 Claims are receiving equal treatment in terms of Distributions from the Debtor under the Plan. Additionally, the specified holders of Allowed Prepetition Medical Malpractice Claims (i.e., those holders not subject to the Election who also assert claims against Covered Persons not covered by third party insurance) also will receive the Pro Rata Distribution from the Covered Persons Fund in exchange for such holders' loss of the right to pursue certain claims under the Covered Person Injunction.

The amount and sources of funds for the Covered Persons Fund shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be

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[8] Among other things, the Plan Supplement will include the following information: (a) the total amount of Cash anticipated to be contributed to the Covered Persons Fund by or on behalf of Covered Persons; (b) an explanation of criteria utilized to determine the amounts of those contributions; and (c) a list of which Covered Persons made contributions to the Covered Persons Fund.

included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Prepetition Medical Malpractice Claims and all Covered Persons. All payments from the Covered Persons Fund shall be made by the Disbursement Agent.

The Debtor understands that holders of only a few Prepetition Medical Malpractice Claims continue to assert Covered Person Claims for several reasons. First, many of such Claims were resolved by settlements that provide for releases of any Covered Persons. Second, only a fraction of the remaining Covered Person Claims are not subject to third party insurance. Third, the group of Prepetition Medical Malpractice Claims eligible to receive Distributions from the Covered Persons Fund will be reduced further by those Claim holders who make the Election to recover solely from third party insurance. Accordingly, only a small percentage of the Prepetition Medical Malpractice Claims would share in the Distributions from the Covered Persons Fund under the Plan.

**(7) Class 7—Existing Equity Interests.**

Existing equity interests shall not receive or retain any distribution under the Plan.

### 5.3 *Provisions for Resolution of Medical Malpractice Claims.*

(a) **Election to Pursue Solely Insurance.**

(i) Election. Under the Plan, no later than 90 days after the Effective Date, a holder of a Prepetition Medical Malpractice Claim or a Postpetition Medical Malpractice Claim for which a proof of claim was timely filed (or deemed timely filed) may make the Election to be granted relief from the automatic stay to litigate such holder's Claim in state court provided that, if such Election is made, then: (A) any recovery on such Claim shall be limited to available insurance, if any; (B) such holder shall not otherwise receive a Distribution under the Plan or any payments based on any related Covered Person Claim; and (C) such holder shall thereby release each Covered Person from any liability on a related Covered Person Claim except to the extent of available third party insurance (i.e., insurance held by a Covered Person) respecting such Covered Person.

(ii) No Election. If a holder of an Prepetition Medical Malpractice Claim or a Postpetition Medical Malpractice Claim for which a proof of claim was timely filed (or deemed timely filed) does not make the Election within 90 days of the Effective Date, then such Claim shall be submitted for resolution through mediation pursuant to the Mediation Procedures in Section 6.2 of the Plan and as described in section 5.3(a)(b) below. If mediation does not resolve such Claim, then such Claim shall be estimated pursuant to section 502(c) of the Bankruptcy Code together with any indemnification, vicarious, or other liability asserted against the Debtor related to such Claim respecting any Covered Person; provided, however, that the holder of such Claim may affirmatively opt out from having its Claim so estimated by filing with the Bankruptcy Court an opt out request within 90 days of the Effective Date.

(b) **Mediation.**

(i) Selection of Mediator.

The Disbursement Agent shall select the mediator (the "**Postpetition Mediator**") for each Postpetition Medical Malpractice Claim. Upon a determination there will be sufficient funds available for Distributions on Allowed Class 6 Claims to warrant mediation and that each applicable Prepetition Medical Malpractice Claim cannot be settled at that time without mediation, the Liquidating Trustee shall select a mediator or mediators (the "**Class 6 Mediator**," and together with the Postpetition Mediator, the "**Mediator**") without further other of the Bankruptcy Court.

(ii) Costs.

Each Mediator shall charge its standard hourly rate for services of this kind. The Mediator's fees and expenses incurred in connection with each mediation session shall be the joint responsibility of (i) the Liquidating Trust or the Disbursement Agent, as applicable, and (ii) the applicable Claim holder. If the (i) Liquidating Trust or the Disbursement Agent, as applicable, or (ii) any Claim holder fails to appear for a scheduled mediation session without giving five (5) days written notice, the party failing to appear shall be responsible for 100% of the costs for that mediation session, including attorneys' fees, if any.

(iii) Mediation Procedures.

The Mediator shall have the duty and authority to establish reasonable and practical mediation procedures and shall have sole authority to set the date, time, and location of mediation sessions for each Claim subject to mediation. The Mediator, with the consent of the Liquidating Trustee or the Disbursement Agent, as applicable, shall select the order in which Claims will be presented to the Mediator. For the avoidance of doubt, nothing shall preclude the Liquidating Trustee or the Disbursement Agent, as applicable, from attempting to resolve a Claim outside of a mediation session (including, without limitation, by the Disbursement Agent offering a settlement payment).

(iv) Notice.

As soon as practicable after the selection of the Mediator for a particular Claim, the Mediator shall serve notice on the holder of the Claim subject to mediation and the Liquidating Trustee or the Disbursement Agent, as applicable, advising that such Claim is subject to mediation. The notice shall contain procedures applicable to the mediation sessions, including timing for submission of documents or statements by the parties. After such service, the Mediator shall confer with each Claim holder and the Liquidating Trustee or the Disbursement Agent, as applicable, and/or their respective representatives to schedule mediation sessions. Once mediation sessions are scheduled by the Mediator (in its sole discretion), the Mediator shall serve notice of the date, time, and location of mediation sessions on the applicable Claim holder and the Liquidating Trustee or the Disbursement Agent, as applicable.

(v) Mediation Sessions.

Any party may be represented at a mediation session by legal counsel at such party's cost and expense, although legal counsel shall not be required for mediation. The Mediator shall meet with the parties or their representatives, individually and jointly, for a conference or series of conferences, as determined by the Mediator. The Mediator shall report any willful failure to attend or participate in good faith in the mediation sessions to the Bankruptcy Court, which may result in the imposition of sanctions by the Bankruptcy Court. The Mediator shall have no obligation to make written comments or recommendations regarding settlement.

(vi) Settlements.

A Class 6 Claim that is resolved pursuant to mediation shall be treated as an Allowed Class 6 Claim and shall be treated pursuant to section 5.6 of the Plan. A Postpetition Medical Malpractice Claim that is resolved pursuant to mediation shall be satisfied as set forth in Section 4.2 of the Plan.

(vii) Confidentiality.

Any statements made by the Mediator, any Claim holder, the Reorganized Debtor, the Liquidating Trustee, the Disbursement Agent, any Covered Person, their respective representatives, or any other Person during the Mediation process shall not be divulged to the Bankruptcy Court or any third party. Any reports, records, or other documents received or made by the Mediator shall be confidential. The Mediator shall not be compelled to divulge such records or testify in regard to the Mediation in connection with any other proceeding.

(c) **Release of Indemnification Claims Related to Medical Malpractice Claims.**

Each holder of an Allowed Indemnification Claim concerning a Prepetition or Postpetition Medical Malpractice Claim and claims against Covered Persons related to Allowed Prepetition or Postpetition Medical Malpractice Claims shall be deemed to have waived and released any such Indemnification Claim in exchange for the benefit of the Covered Person Injunction in Section 9.5(f) of the Plan.

### 5.4 *Proposed I M Foundation Settlement*[9]

The I M Foundation asserts a $4,300,000 Administrative Claim for funds advanced to IMC postpetition and a $5,505,073 General Unsecured Claim for funds advanced to IMC prepetition. IMC asserts those Claims are not valid because, among other things: (a) I M Foundation was not in the business of making loans; (b) I M Foundation could not have had a

[9] This is a description of a proposed settlement now being discussed. Neither IMC nor the I M Foundation has agreed to this settlement. If no settlement is reached before the Confirmation Hearing, then the proposed settlement shall be deleted from the Plan.

realistic expectation such advances would be repaid; (c) there was no documentation for any loans, just accounting book entries that the advances were loans; and (d) no interest was charged, accrued, or paid respecting any advances by I M Foundation. If, however, the advances were loans, then the Debtor asserts a preference claim for the net amount ($4,300,000) paid to the I M Foundation during the year preceding the Petition Date that was not readvanced to IMC prepetition. IMC asserts the one year preference period applies to the I M Foundation on the basis it is an insider of IMC due to the substantial overlap of employees and operations between the I M Foundation and IMC. IMC also has questioned whether there might be a basis for substantively consolidating the assets and liabilities of IMC and the I M Foundation because: (w) the I M Foundation regularly provided funding to IMC as and when needed; (x) historically, they issued joint financial statements; (y) there is a substantial overlap of personnel between IMC and the I M Foundation; and (z) essentially all of I M Foundation's operations revolve around IMC. Nonetheless, I M Foundation argues there is no basis for such consolidation because: (i) the assets and liabilities of IMC and the I M Foundation are easily distinguished; and (ii) creditors of IMC and the I M Foundation knew they were distinct entities and did not rely on their being jointly obligated.

If the I M Foundation timely accepts the Plan, then the Claims of the I M Foundation against the Debtor and the claims of the Debtor against the I M Foundation shall be resolved as follows: (a) upon the Effective Date, each of I M Foundation and the Debtor shall release each other and each other's respective officers, directors, members, trustees, employees, advisors, and attorneys, each in its capacity as such, for any and all claims arising prior to the Confirmation Date except for the right to enforce their respective obligations under the Plan; (b) the I M Foundation shall authorize the Reorganized Debtor and DASNY's designee to utilize the portion(s) of any parking lots adjacent to the Debtor's Hospital facility at 1545 Atlantic Avenue that are owned by I M Foundation at no cost for so long as the primary use of that facility shall be to provide healthcare services to the surrounding community; and (c) on the Effective Date, the I M Foundation shall donate an amount to be specified in the Plan Supplement to the Covered Persons Fund solely to be used to fund a portion of the amounts available under the Plan to holders of Allowed Prepetition Medical Malpractice Claims in exchange for their release of Covered Person Claims under the Plan. If the I M Foundation does not timely accept the Plan, then all such claims shall remain unresolved.

### 5.5 *Plan as a Settlement.*

Pursuant to Bankruptcy Rule 9019 and Bankruptcy Code section 1123, and in consideration for the classification, distribution, and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, whether known or unknown, foreseen or unforeseen, asserted or unasserted, by or against any Released Party, or holders of Claims, arising out of, relating to or in connection with the business or affairs of or transactions with the Debtor. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, and its Estate, creditors and other parties-in-interest, and are fair, equitable and within the range of reasonableness. The

provisions of the Plan, including, without limitation, its release, injunction, exculpation, and compromise provisions, are mutually dependent and non-severable.

**THE FOREGOING IS A SUMMARY OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE PLAN. CREDITORS ARE URGED TO READ RELEVANT PORTIONS OF THE PLAN IN FULL AS THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND EACH CREDITOR. THE PLAN SHOULD BE READ TOGETHER WITH THIS DISCLOSURE STATEMENT SO A CREDITOR CAN MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.**

## ARTICLE VI.

## MEANS OF EXECUTION OF THE PLAN

### 6.1 *Corporate Action.*

On the Effective Date, the Debtor shall continue to exist as the Reorganized Debtor, with all of the powers of a non-profit corporation under applicable law. The adoption of any new or amended and restated certificate of incorporation and by-laws and the other action provided for under the Plan for the Debtor or the Reorganized Debtor, as the case may be, shall be deemed to have occurred and be authorized and approved in all respects, without any requirement of further action by trustees of the Debtor or the Reorganized Debtor. The Confirmation Order shall provide that it establishes conclusive authority, and evidence of such authority, required for the Debtor and the Reorganized Debtor to undertake any and all actions required to implement or contemplated by the Plan, including without limitation, appointment of the Liquidating Trustee as selected pursuant to Section 7.4(b) of the Plan. Thus, no Board vote shall be required with respect thereto.

### 6.2 *Post-Effective Date Board of Trustees.*

As of the Effective Date, the current Board of Trustees of the Debtor shall be dissolved and shall be replaced by New Board members for the Reorganized Debtor who shall be identified in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan.

### 6.3 *Post-Effective Date Management.*

The Reorganized Debtor's Post-Effective Date Management shall consist of the following:

(a) **Temporary Operator.**

Commencing on the Effective Date, IMC's new CRO, Melanie Cyganowski, shall be IMC's temporary operator pursuant to New York Public Health Law § 2806-a (the "**Temporary Operator**"). The Temporary Operator shall operate the Reorganized Debtor, including the Hospital and Clinics. On behalf of the Reorganized Debtor, the Temporary Operator shall implement the Plan and the Work Plan approved by DOH. Pursuant to the Work

Plan, the Hospital shall be reorganized. The Work Plan may include the expansion, reduction, restructuring, reorganization, cessation, or transfer of operations and services. The Work Plan shall conform to the goals set forth in DSRIP, New York's Delivery System Reform Incentive Payment Plan, which include reducing preventable hospitalizations and emergency department visits while increasing both the quality and delivery of healthcare to patients and their communities. More information is available at *http://www.health.ny.gov/health_care/medicaid/redesign/delivery_system_reform_incentive_payment_program.htm*.

DOH and DASNY have determined Ms. Cyganowski is well-qualified to support and direct the Reorganized Debtor as the Temporary Operator for the following reasons, among others. She will have been IMC's CRO since March 2014. Ms. Cyganowski has an outstanding reputation and extensive experience in the restructuring field. Ms. Cyganowski is now a partner at Otterbourg P.C. in its creditors' rights and insolvency group. Prior to joining Otterbourg, Ms. Cyganowski served as a United States Bankruptcy Judge for the Eastern District of New York for fourteen years. As a judge, Ms. Cyganowski oversaw many different kinds of cases, ranging from individual bankruptcies to large corporate cases. In 2007, Ms. Cyganowski left the bench to join Greenberg Traurig and subsequently became a member of Otterbourg PC. In addition, Ms. Cyganowski also served as the chapter 11 trustee and operator of Batavia Nursing Home, LLC. Given her qualifications and experience, DOH and DASNY believe Ms. Cyganowski has the requisite skills and background to serve as the Temporary Operator.

(b) **Post-Effective Date CEO.**

On the Effective Date, Steven Korf, shall continue as Reorganized Debtor's Chief Executive Officer and be responsible for running the Reorganized Debtor's day-to-day operations. Mr. Korf is a founding partner of ToneyKorf Partners LLC, a business advisory firm. Mr. Korf will have served as IMC's CEO since March 2014. Mr. Korf served as chief operating officer of Brookdale Hospital and Medical Center from April 2012 until March 2014. Prior to founding ToneyKorf Partners LLC, Mr. Korf was a partner in the Corporate Advisory and Restructuring Services practice of Grant Thornton LLP, a Managing Director in the Corporate Advisory Services practice at Huron Consulting, and spent 20 years in private industry in various C-level positions. Mr. Korf also currently serves as the President and CEO of the post-emergence Saint Vincent Catholic Medical Centers and served as its CFO during a portion of its chapter 11 reorganization efforts. In addition, Mr. Korf served as CFO of Long Island College Hospital and has provided interim management and advisory services to other financially troubled hospitals. DOH and DASNY have determined Mr. Korf's experience working with financially troubled hospitals provides him with the appropriate background to serve as the Reorganized Debtor's CEO.

(c) **Post Effective Date CFO.**

On the Effective Date, the Reorganized Debtor's Chief Financial Officer shall be Robert Mariani. Mr. Mariani has served as the Debtor's Chief Financial Officer since October 2011. Prior to joining IMC, Mr. Mariani served as a finance consultant at Saint Vincents Catholic Medical Center of New York and Wyckoff Heights Medical Center. Mr. Mariani is

familiar with the Debtor's finances and operations. DOH and DASNY have determined Mr. Mariani is well-qualified to serve as the Reorganized Debtor's CFO.

### 6.4 *The Liquidating Trust and Liquidating Trustee*

(a) **The Liquidating Trust.**

As of the Effective Date, the Liquidating Trust shall be established and receive the following IMC assets: (i) $200,000 in Cash to be paid from funds provided by DASNY to the Debtor from the DIP Facility; (ii) the right to pursue on behalf of the Debtor's Estate the following causes of action of IMC: (A) any causes of action against (1) Kurron Shares of America, Inc., including without limitation, for the return of any prepetition or postpetition fees, not released under the Stipulation and Order, dated May 3, 2013 [Docket No. 446] or (2) any officer of the Debtor, other than Robert Mariani, provided to the Debtor by Kurron Shares of America, Inc., but solely to the extent any such cause of action against any such officer would be satisfied by insurance; (B) any causes of action not released under the Plan identified in the Plan Supplement; and (C) the avoidance actions (i.e., actions under chapter 5 of the Bankruptcy Code) identified in the Plan Supplement, that are expected to have an aggregate face amount of more than $10 million;[10] and (iii) reasonable and free use of and access to reasonable space in the Hospital for administrative purposes until March 31, 2015, subject to the ability of the Reorganized Debtor to operate the Hospital and bearing in mind any operations of the Hospital in that space; provided, however, that after reasonable notice, the Reorganized Debtor or DASNY's designee (as applicable) shall be able to move or evict the Liquidating Trust from any such space to the extent necessary in the business judgment of the Reorganized Debtor or DASNY's designee (as applicable). The Liquidating Trust assets shall include potential causes of action against all but one of the officers of IMC supplied by Kurron Shares of America, Inc., solely to the extent any such causes of action against any such officer would be satisfied by insurance, but no causes of action against any of the Debtor's other officers and directors.

The Liquidating Trust shall be responsible for: (i) liquidation of those assets; (ii) resolution of all Class 6 Claims to be satisfied by the Liquidating Trust; (iii) pursuit of any causes of action assigned to the Liquidating Trust; (iv) making any and all distributions by the Liquidating Trust provided for under the Plan; (v) the Liquidating Trust's administration; and (vi) payment of the Liquidating Trust's fees and expenses. The fees and expenses of the Liquidating Trust shall be satisfied solely out of the net proceeds from the Liquidating Trust's assets. Such fees and expenses shall be fully paid or reserved prior to the Liquidating Trust making any Distributions under the Plan. The Bankruptcy Court shall retain jurisdiction to review such fees and expenses if challenged. Additionally, if Class 6 rejects the Plan, then no Distribution may be made from the Liquidating Trust on Allowed Class 6 Claims unless and until the Disbursement Agent has determined there are sufficient funds otherwise available or reserved under the Plan for all Allowed Administrative Claims and Allowed Claims in Classes 1,

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[10] A nonexclusive list of all potential avoidance actions that might be pursued by the Reorganized Debtor and/or assigned to the Liquidating Trust is set forth in Exhibit 7. The list excludes payments made during the preference period: (a) to professionals holding retainers; (b) to employees for salaries and expense reimbursements; and (c) related to preference actions already commenced by the Debtor.

2, and 3. If there are not sufficient funds otherwise available, then any funds that would have been available for Distribution on all Allowed Class 6 Claims from the Liquidating Trust first shall be used to satisfy such other Allowed Claims.

(b) **The Liquidating Trustee.**

The Plan and/or Confirmation Order shall provide for the appointment of the Liquidating Trustee on the Effective Date. The Liquidating Trustee shall be bonded in the amount of 150% of Cash in the Liquidating Trust. The Liquidating Trustee shall be entitled to seek such orders, judgments, injunctions, and rulings from the Bankruptcy Court, in addition to those specifically listed in the Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to, the Liquidating Trust Agreement. The Liquidating Trustee shall have the responsibilities specified in the Plan and the Liquidating Trust Agreement. The Bankruptcy Court shall retain jurisdiction to enter orders, judgments, injunctions, and rulings concerning the Liquidating Trust, including in any causes of action the Liquidating Trust may bring or continue. The Liquidating Trust shall pursue those claims, rights, and causes of action assigned to the Liquidating Trust in accordance with its best interests and fiduciary duties.

### 6.5 *The Disbursement Agent.*

The Disbursement Agent shall be appointed by DASNY on or before the Effective Date. The Disbursement Agent shall make Distributions on all Allowed Claims, except Distributions from the Liquidating Trust on Allowed Class 6 Claims from funds reserved or held in segregated accounts established pursuant the Plan and perform such other functions as are assigned to the Disbursement Agent pursuant to the Plan.

### 6.6 *Sources and Uses of Plan Funding.*

The projected available sources and uses of Cash under the Plan are provided in Exhibit 4. As to the sources of Plan funding, DASNY expects that: (a) the existing $45.1 million DIP Facility, of which only approximately $30 million will be drawn prior to the Effective Date; (b) an anticipated increase in the amount available under that DIP Facility; and (c) other sources of cash available (i.e., the Indemnity Reserve Fund and the Professional Fee Reserve) collectively will provide sufficient funding to satisfy all fixed payment obligations provided for under the Plan plus the high end of the estimated ranges of Allowed Administrative Claims and Allowed Claims in Classes 1, 2, and 3 under the Plan.

In the unlikely event sufficient funding is not available or reserved for payment in full of any subset of Allowed Administrative Claims or Allowed Claims in Classes 1, 2, and 3 under the Plan, then additional funds for payment of such Allowed Claims shall be available from the following sources in the following order of priority:

(x) excess funds available or reserved for any other subset of Allowed Administrative Claims or Allowed Claims in Classes 1, 2, or 3;

(y) net proceeds from any of the Debtor's avoidance actions or other causes of action that are retained by the Reorganized Debtor; and

(z) if Class 6 rejects the Plan, funds that otherwise would have been available from the Liquidating Trust for Distributions on Allowed Class 6 Claims.

**6.7 *Use of Restricted Funds.***

Notwithstanding any applicable restrictions or limitations established by a grantor or under state law, as of the Effective Date, all restricted funds held by the Debtor (i.e., charitable contributions to IMC or a predecessor as to which the party making the bequest placed a restriction on use related to providing health care services) may be used by the Reorganized Debtor with the sole limitation that such restricted funds may be used solely for the provision of healthcare in IMC's community, and without the necessity for any further notice or approval of the Bankruptcy Court and/or any other court and notwithstanding any applicable state or other statute, case law, or regulation. Currently, IMC has approximately $1.2 million of restricted funds.

**6.8 *General Claims Distribution Mechanics.***

(a) Distributions Only on Allowed Claims. Notwithstanding anything herein to the contrary, no Distribution shall be made on account of a Disputed Claim until such Disputed Claim becomes an Allowed Claim.

(b) No Recourse. No Claim holder shall have recourse to the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (or any property thereof), other than regarding enforcement of rights or Distributions under the Plan.

(c) Method of Cash Distributions. Any Cash payment to be made pursuant to the Plan will be in U.S. dollars and may be made by draft, check, or wire transfer, in the sole discretion of the Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable), or as otherwise required or provided in any relevant agreement or applicable law.

(d) No Distributions on Non-Business Days. Any payment or Distribution due on a day other than a Business Day may be made, without interest, on the next Business Day.

(e) No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary in the Plan, no holder of an Allowed Claim shall receive respecting such Claim any Distribution in excess of the Allowed amount of such Claim.

(f) Disputed Payments. If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any Distribution, the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable), may, in lieu of making such Distribution to such Person, make such Distribution into a segregated account until the disposition thereof shall be determined by Court order or by written agreement among the interested parties.

(g) Unclaimed Property. The Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable), shall hold any Unclaimed Property (and all interest, dividends, and other distributions thereon), for the benefit of the holder of the Claim entitled thereto under the Plan. At the end of 180 days following the relevant Distribution Date of the applicable Distribution, the holder(s) of Allowed Claims to that point entitled to Unclaimed Property held pursuant to the Plan shall be deemed to have forfeited such property, whereupon all right, title and interest in and to such property shall immediately and irrevocably be retained by the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust, as applicable, and such holder(s) shall cease to be entitled thereto. The Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) shall have no obligation to attempt to locate any holder of an Allowed Claim other than by reviewing the Debtor's books and records, proofs of Claim filed against the Debtor, or relevant registers maintained for such Claims.

(h) Distribution Minimum. None of the Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) shall be obligated to make a Distribution of less than $20.00 in Cash until the final Distribution on a Claim.

(i) Creditor Information. Each holder of an Allowed Claim shall be required to provide to the Debtor (before the Effective Date) or the Disbursement Agent or Liquidating Trustee (as applicable after the Effective Date) with: (i) written notice of any change of address; and (ii) such holder's federal I.D. number. No Distribution shall be required to be made under the Plan absent receipt by the Debtor, Liquidating Trustee, or Disbursement Agent (as applicable) of such information.

**6.9 *Withholding Taxes.***

Any federal or state withholding taxes or other amounts required to be withheld under any applicable law shall be deducted and withheld from any Distributions under the Plan. All Persons holding Claims shall be required to provide any information necessary to effect the withholding of such taxes. Notwithstanding any other provision of the Plan, each holder of an Allowed Claim that is to receive a Distribution of Cash pursuant to the Plan shall have the sole and exclusive responsibility for satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution.

**6.10 *Exemption from Certain Transfer Taxes.***

To the fullest extent permitted by applicable law, all sale transactions consummated by the Debtor and approved by the Bankruptcy Court on and after the Confirmation Date through and including the Effective Date, including the transfers effectuated under the Plan, the sale by the Debtor of any owned property pursuant to section 363(b) or 1123(b)(4) of the Bankruptcy Code, any assumption, assignment, and/or sale by the Debtor of its interests in unexpired leases of non-residential real property or executory contracts pursuant to section 365(a) of the Bankruptcy Code, and the creation, modification, consolidation or

recording of any mortgage pursuant to the terms of the Plan or ancillary documents, shall constitute a "transfer under a plan" within the purview of section 1146 of the Bankruptcy Code, and shall not be subject to any stamp, real estate transfer, mortgage recording, or similar tax.

**6.11** ***Setoffs and Recoupments.***

The Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off and/or recoup against any Allowed Claim, and the distributions to be made pursuant to the Plan on account of such Allowed Claim, any and all claims, rights, and causes of action the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may hold against the holder of such Allowed Claim after the Effective Date (with the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust being able to exchange setoff and/or recoupment rights without prejudice to the Estate's rights of setoff or recoupment). Neither the failure to effect a setoff or recoupment nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) of any and all claims, rights, and causes of action that either may possess against such holder.

HHS asserts that the Plan may not limit the setoff and recoupment rights of HHS as provided by law respecting the Debtor's Medicare provider agreements. HHS asserts it has recoupment rights of approximately $8.2 million that can be applied against Medicare payments due to IMC and approximately $7.4 million that can be applied against Medicaid payments due to IMC. While IMC does not concede those recoupment rights, IMC's Financial Projections annexed hereto as Exhibit 5 assume such recoupment rights are exercised.

**6.12** ***Insurance Preservation and Proceeds.***

Nothing in the Plan, including any releases, shall diminish or impair the enforceability of any policies of insurance that cover claims against the Debtor or any other Person.

**6.13** ***Discharge.***

(a) **Scope.**

Except as otherwise expressly provided in the Plan or the Confirmation Order, in accordance with section 1141(d)(1) of the Bankruptcy Code, entry of the Confirmation Order will act as a discharge, subject to occurrence of the Effective Date, of all debts of, Claims against, and liens on the Debtor or its assets or properties, which debts, Claims, and liens arose at any time before the entry of the Confirmation Order. The discharge of the Debtor shall be effective as to each Claim, regardless of whether a proof of claim therefor was filed, whether the Claim is an Allowed Claim, or whether the holder thereof votes to accept the Plan. On the Effective Date, as to every discharged Claim, any holder of such Claim shall be precluded from asserting against the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust, or the assets or properties of the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable), any

other or further Claim based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

(b) **Injunction.**

In accordance with section 524 of the Bankruptcy Code, the discharge provided by the Plan and section 1141 of the Bankruptcy Code will, *inter alia,* act as an injunction against the commencement or continuation of any action, employment of process, or act to collect, offset or recover the debts, Claims, and liens so discharged.

(c) **Releases of Liens.**

Unless a particular Claim is reinstated: (i) each holder of a Claim that is purportedly secured shall, on or immediately before the Effective Date and as a condition to receiving any Distribution under the Plan: (A) turn over and release to DASNY's designee or the Reorganized Debtor, as applicable, any and all property of the Debtor or the Estate that secures or purportedly secures such Claim; and (B) execute such documents and instruments as DASNY's designee or the Reorganized Debtor, as applicable, requires to evidence such claimant's release of such property; and (ii) on the Effective Date (or such other date described in this subsection), all claims, right, title, and interest in such property shall be assigned or revert to DASNY's designee or the Reorganized Debtor, as applicable, free and clear of all Claims, including (without limitation) liens, claims, charges, pledges, encumbrances, and/or interests of any kind. All liens of the holders of such Claims on property of the Debtor, the Estate, and/or the Reorganized Debtor shall be deemed to be canceled and released as of the Effective Date (or such other date described in this subsection). Notwithstanding the immediately preceding sentence, any such holder of a Disputed Claim shall not be required to execute and deliver such release of liens until ten (10) days after such Claim becomes an Allowed Claim or a Disallowed Claim. To the extent any holder of a Claim fails to release the relevant liens as described above, DASNY's designee or the Reorganized Debtor, as applicable, may act as attorney-in-fact, on behalf of the holder of such liens, to provide any releases required for any purpose.

**6.14** ***Vesting and Either Retention or Assignment of Causes of Action.***

Except as otherwise expressly provided for in the Plan or the Confirmation Order, on the Effective Date, all property of the Estate shall either be vested in and: (i) retained by the Reorganized Debtor; or (ii) assigned to the Disbursement Agent, DASNY's designee, or the Liquidating Trust, as applicable, free and clear of all Claims, liens, claims, charges, pledges, encumbrances, and/or interests of any kind of holders of Claims, except for the rights to Distribution afforded to holders of certain Claims under the Plan. After the Effective Date, the Disbursement Agent, DASNY, DASNY's designee, the Liquidating Trust, and the Reorganized Debtor shall have no liability to holders of Claims other than as provided for in the Plan or the Confirmation Order.

Except as otherwise provided for in the Plan or the Confirmation Order, or in any contract, instrument, release, or other agreement entered into in connection with the Plan or by order of the Bankruptcy Court, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and may enforce any claims, rights, and causes of action the

Debtor or the Estate holds. Those causes of action shall not include the causes of action to be assigned to the Liquidating Trust pursuant to the Plan. All such causes of action shall be listed in the Plan Supplement.

As of the Effective Date, the Reorganized Debtor may operate its business and use and acquire assets, and settle and compromise claims or interests without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and/or Confirmation Order.

**6.15** ***Treatment of Certain Indemnification Obligations.***

The obligations of the Debtor to indemnify individuals who now serve or served on or after the Petition Date as its trustees and/or officers, pursuant to the Debtor's operating agreements, certificates of incorporation, by-laws, applicable statutes, or pre-confirmation agreements as well as any order of the Bankruptcy Court, respecting all present and future actions, suits, and proceedings against any of such trustees or officers, based upon any act or omission in such capacity in providing such service with the Debtor on or before the Effective Date, as such obligations were in effect at the time of any such act or omission, shall be performed and honored by the Disbursement Agent from and to the extent of available funds held in a segregated account established solely for such purpose for a period no longer than three years after the Effective Date, up to an aggregate amount of $1,000,000, regardless of whether the underlying claims for which indemnification is sought are released pursuant to the Plan; provided, however, such indemnification obligations to be performed and honored by the Disbursement Agent shall not include: (a) indemnification Claims based on causes of action assigned to the Liquidating Trust under the Plan, but solely to the extent a Final Order finds the Liquidating Trust is entitled to recovery on such causes of action; (b) indemnification Claims to the extent reimbursed by third party insurance; (c) indemnification Claims to the extent found by a Final Order to be based on Claims that are the result of fraud, gross negligence, or willful misconduct; and (d) indemnification Claims by any individual dismissed for cause from his or her position as a trustee or officer of the Debtor. Any individual who receives reimbursement for indemnification pursuant to Section 9.4 of the Plan shall waive any right to assert or receive Distributions in respect of any Administrative Claim or Priority Claim for indemnification: (x) for the same amount(s) paid to such individual pursuant to Section 9.4 of the Plan; and (y) based on any prepetition acts or omissions.

**6.16** ***Releases, Injunctions, and Related Provisions.***

(a) **Satisfaction of Claims.**

The treatment provided for Allowed Claims pursuant to the Plan shall be in full and final satisfaction, settlement, release, and discharge of such Claims.

(b) **Release of Debtor's Claims Against Released Parties Other Than Claims Based on Fraud, Gross Negligence, or Willful Misconduct, or Against Kurron Shares of America, Inc.**

*"Released Parties" include the Debtor, the Creditors' Committee, the Ombudsman, and DASNY, and any of their current or former agents, representatives, directors,*

*trustees, officers (including, without limitation, for the Debtor, Melanie Cyganowski as CRO, Steven Korf as Chief Executive Officer, and Robert Mariani as Chief Financial Officer), members, sponsors, managers, attorneys, accountants, financial advisors, or other professionals, solely in such capacities.*

*Except as otherwise expressly set forth in the Plan or the Confirmation Order, as of the Effective Date, for good and valuable consideration provided by each of the Released Parties, including good faith settlement and compromise of the claims released by the Plan and the services of the Debtor's officers, directors, trustees, managers, attorneys, and advisors facilitating expeditious implementation of the Plan, the Debtor and debtor in possession and any person seeking to exercise the rights of the Debtor's Estate, including, without limitation, the Liquidating Trustee, the Reorganized Debtor, any successor to the Debtor, or any representative of the Debtor's Estate appointed or selected pursuant to sections 1103, 1104, or 1123(b)(3) of the Bankruptcy Code or under chapter 7 of the Bankruptcy Code, shall be deemed to conclusively, absolutely, unconditionally, irrevocably, and forever release and waive, and shall be deemed to have provided a full release to each Released Party and its respective property from all claims (as such term "claim" is defined in section 101(5) of the Bankruptcy Code), obligations, debts, suits, judgments, damages, demands, rights, causes of action, remedies and liabilities whatsoever, (other than all rights, remedies, and privileges to enforce the Plan or any agreement entered into in connection with the Plan or regarding claims expressly preserved under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise that are based on, related to, or in any manner arising from, in whole or in part, any act, omission, transaction, event, or other occurrence taking place at any time up to immediately prior to the Effective Date in any way relating to the Debtor, the Reorganized Debtor, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between the Debtor and any Released Party, the restructuring of Claims prior to or in the Chapter 11 Case, the parties released pursuant to section 9.15(b) of the Plan, the Chapter 11 Case, the Plan or the Disclosure Statement, or any related contracts, instruments, releases, agreements, or documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, and that could have been asserted by or on behalf of the Debtor, the debtor in possession, or its Estate, or any of its affiliates, whether directly, indirectly, derivatively, or in any representative or any other capacity, individually or collectively, in their own right or on behalf of the holder of any Claim or other entity, against any Released Party; provided, however, in no event shall anything described in this section (as specified in section 9.15(b) of the Plan) be construed as a release of: (i) claims and causes of action based on any Released Party's fraud, gross negligence, or willful misconduct, as determined by a Final Order of the Bankruptcy Court; or (ii) claims or causes of action against: (A) Kurron Shares of America, Inc., including without limitation, for the return of any prepetition or postpetition fees, to the extent not released under the Stipulation and Order, dated May 3, 2013 [Docket No. 446], or any other agreement binding on the Debtor; or (B) any officer of the Debtor, other than Robert Mariani, provided to the Debtor by Kurron Shares of America, Inc., but solely to the extent any such cause of action would be satisfied by insurance.*

(c) **Releases by Claim Holders.**

*As of the Effective Date, to the fullest extent permitted by law, each former or current holder of a Claim shall, in consideration for the obligations of the Debtor, Reorganized Debtor, DASNY, DASNY's designee, and Liquidating Trustee under the Plan and the distributions, releases, and other agreements or documents to be delivered in connection with the Plan, be deemed to have forever released and waived the Released Parties from all claims, demands, debts, rights, causes of action, remedies or liabilities (other than the right to enforce the Debtor's, the Reorganized Debtor's, or the Liquidating Trustee's obligations under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or in part on any act or omission, transaction, event, or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date) in any way relating to the Debtor, the Reorganized Debtor, the Chapter 11 Case, the Plan, the Confirmation Order, or this Disclosure Statement, in each case at any time up to immediately prior to the Effective Date; provided, however, that such release by Claim holders shall not cover causes of action based on IMC'S inability to fund its obligations under the so-called indemnity letters for medical malpractice coverage issued pre-petition to Covered Persons, but solely to the extent any such causes of action may be satisfied by insurance.*

(d) **Releases by and of DASNY.**

*Except as otherwise expressly set forth in the Plan or the Confirmation Order, as of the Effective Date, DASNY (as DIP Lender and Prepetition Lender), on the one hand, and the Debtor, Reorganized Debtor, and Liquidating Trust, on the other, shall mutually release each other (and each other's respective officers, directors, trustees, employees, members, managers, attorneys, and advisors, each in its capacity as such) from any and all claims and obligations (other than to enforce obligations under the Plan or Confirmation Order), including, for the avoidance of doubt: (1) any claims by DASNY as DIP Lender for repayment of the DIP Facility; (2) any Challenge (as defined in the DIP Order) respecting prepetition lien and claim matters; (3) any such claim on behalf of the Debtor's Estate that could be asserted by any party-in-interest with standing and requisite authority on behalf of the Debtor's Estate, including, without limitation, the Creditors' Committee; (4) any obligations of DASNY respecting the DIP Financing, including the Carve-Out; and (5) any claims, rights, and causes of action related to the transfer to the Liquidating Trust of control of any of the Debtor's assets.*

(e) **General Injunction.**

*Except as otherwise expressly provided in the Plan or Confirmation Order, as of the Effective Date, any Person that held or holds a Claim shall be permanently enjoined from taking any of the following actions against the Debtor, the Ombudsman, the Creditors' Committee or members thereof, DASNY, or present and former directors, officers, trustees, agents, advisors, attorneys, members, or employees of any such entity, each in its capacity as such, or any of their respective successors or assigns, on account of any Claim: (1) commencing or continuing in any manner any action or other proceeding respecting a Claim; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order respecting a Claim; (3) creating, perfecting, or enforcing any lien or*

*encumbrance respecting a Claim; (4) asserting a setoff, right of subrogation, or recoupment of any kind respecting a Claim, the assets or other property of the Estate; and (5) commencing or continuing any action that does not comply with or is inconsistent with the Plan; provided, however, that nothing in such injunction shall preclude the holder of a Claim from pursuing (i) third-parties or third-party insurance that does not cover Claims against the Debtor; or (ii) claims or causes of action based on IMC's inability to fund its obligations under so-called indemnity letters for medical malpractice coverage issued pre-petition solely to the extent any such causes of action would be satisfied by insurance.*

(f) **Covered Person Claims Injunction.**

*As defined in the Plan, Covered Person means a physician, resident, fellow, nurse, or other employee of the Debtor who is entitled to indemnification by the Debtor. Except as otherwise expressly provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons shall be permanently enjoined from commencing or continuing any action or proceeding or from enforcing or collecting any judgment or order respecting a Covered Person Claims (i.e., any medical malpractice related claim or action against any Covered Person related to a Prepetition or Postpetition Medical Malpractice Claim); provided however, that such injunction shall not extend to pursuit of or recovery on such claims to the extent of recoveries against any available insurance. Any Covered Person Claim shall be channeled to and (other than recoveries from insurance) receive recoveries solely under the Plan pursuant to section 4.2 of the Plan if related to a Postpetition Medical Malpractice Claim or section 5.6(b) of the Plan if related to a Prepetition Medical Malpractice Claim. In exchange for this injunction: (i) each Covered Person shall be deemed to waive any Indemnification Claim against the Debtor; and (ii) each Covered Person seeking the benefit of such protection from Prepetition Medical Malpractice Claims shall make, or have made on his or behalf, an agreed upon financial contribution to the Covered Persons Fund as listed in the Plan Supplement..*

(g) **Exculpation.**

*None of the Released Parties shall have or incur any liability to any former or current holder of any Claim or any member of, representative of, or any organization speaking for the Debtor's community for any prepetition or postpetition act or omission in connection with, or arising out of the Debtor's restructuring, including without limitation, the negotiation and execution of the Plan, the Chapter 11 Case, the Disclosure Statement, the dissemination of the Plan, the solicitation of votes for and the pursuit of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all prepetition or postpetition activities taken or omission in connection with the Plan or the restructuring of the Debtor, except for liability based on fraud, gross negligence, or willful misconduct, each as determined by a Final Order. The Released Parties shall be entitled to rely upon the advice of counsel respecting their duties and responsibilities under the Plan; provided, however, solely to the extent that it would contravene Rule 1.8(h)(1) of the New York Rules of Professional Conduct or any similar ethical rule of another jurisdiction, if binding on an attorney of a Released Party, no attorney of any Released Party shall be released by the Debtor or the Reorganized Debtor.*

(h) **Injunction Related to Exculpation.**

*The Plan and the Confirmation Order shall permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities released pursuant to section 9.5(g) of the Plan.*

**6.17** ***Retention of Jurisdiction.***

The Bankruptcy Court (and if the Bankruptcy Court cannot or will not adjudicate, the United States District Court for the Eastern District of New York) shall retain exclusive jurisdiction to adjudicate any and all claims or causes or action: (a) against any Released Party in its capacity as such; (b) relating to the Debtor, the Plan, the Distributions, the Chapter 11 Case, or any contract, instrument, release, agreement or document executed and delivered in connection with the Plan; and (c) brought by or on behalf of the Debtor (or any successor thereto, including the Reorganized Debtor), the Liquidating Trustee, or any holder of a Claim regarding such Claim, including, without limitation, any request to enforce releases, exculpations, and/or injunctions provided for in the Plan or Confirmation Order.

**6.18** ***Objections to Claims.***

Unless otherwise ordered by the Bankruptcy Court, objections to Claims shall be filed and served on the applicable holder of such Claim not later than 180 days after the later to occur of: (a) the Effective Date; and (b) the filing of the relevant Claim. Such time period may be extended by the Bankruptcy Court.

After the Confirmation Date, only DASNY, the Disbursement Agent, DASNY's designee, the Debtor (only to the Effective Date), and the Reorganized Debtor shall have the authority to file, settle, withdraw, or litigate to judgment objections to Claims, except that after the Effective Date, the Liquidating Trust will have such authority as to Class 6 Claims. From and after the Effective Date, only the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may settle any Disputed Claim without Bankruptcy Court approval.

**6.19** ***New Bar Dates for Filing Certain Claims.***

(a) **Fee Claims Filing Deadline.**

All applications for payment of Fee Claims that accrued on or before the Confirmation Date must be filed with the Bankruptcy Court by the date that is thirty (30) days after the Effective Date (or, if such date is not a Business Day, by the next Business Day thereafter). Any Person that fails to file such an application on or before such date shall be forever barred from asserting such Claim against the Debtor, the Reorganized Debtor, the Disbursement Agent, DASNY, DASNY's designee, or the Liquidating Trust (as applicable), or its 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 Claim.

Requests for payment of Fee Claims incurred after the Confirmation Date may be included in such applications or otherwise be made within a reasonable period after incurrence.

(b) **Other Administrative Claims Bar Date.**

Requests for payment of Administrative Claims, other than Fee Claims and Postpetition Medical Malpractice Claim, for which a Bar Date was not previously established or established by the Plan must be filed no later than thirty (30) days after service of notice of entry of the Confirmation Order, or such later date as may be established by order of the Bankruptcy Court. Holders of Administrative Claims that do not file such requests by the applicable Bar Date shall be forever barred from asserting such Claims against DASNY, DASNY's designee, the Debtor, the Reorganized Debtor, or the Liquidating Trust (as applicable), any successor thereto, and the holder of any such Claim shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset, or recover any such Administrative Claim.

(c) **Extended Bar Date for Prepetition Medical Malpractice Claims Concerning Which Related Covered Person Claims Will Be Released Under The Plan and Bar Date for Postpetition Medical Malpractice Claims.**[11]

Each Person that asserts a Prepetition Medical Malpractice Claim or Postpetition Medical Malpractice Claim must file proof of such Claim so that it is actually received by the Debtor's Claims Agent on or before 5:00 p.m. on the date that is ninety (90) days after the Effective Date unless such a proof of claim already was timely filed in the Chapter 11 Case. Each Person that holds such a Claim and who is required, but fails, to file a proof of claim on or before such deadline, shall: (i) be forever barred, estopped, and permanently enjoined from asserting such Claim (or filing a proof of claim with respect thereto); (ii) release any Covered Person, its successors, and properties from any and all indebtedness and/or liability respecting any Covered Person Claim related to such Medical Malpractice Claim and be subject to the Covered Person Claim Injunction in Section 9.5(f) of the Plan; (iii) not be permitted to participate in any Distribution under the Plan on account of such Prepetition or Postpetition Medical Malpractice Claim or Covered Person Claims; and (iv) not be entitled to receive any further notice in the Chapter 11 Case regarding such Claim.

(d) **Bar Date for Lease and Contract Rejection Claims.**

The Bar Date for Claims based on leases and contracts rejected pursuant to the Plan is covered by Section 10.3 of the Plan and described in section 6.23(c) of this Disclosure Statement.

[11] There is no extension of the Bar Date for any prepetition Claims other than Prepetition Medical Malpractice Claims.

**6.20** ***Late Filed Claims.***

Any Claim filed after any applicable Bar Date, shall be deemed Disallowed and expunged in its entirety without further order of the Bankruptcy Court or any action being required on the part of the Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) unless the Person or entity seeking to file such untimely Claim has received Bankruptcy Court authority to do so.

**6.21** ***Amendments to Claims.***

After the Confirmation Date, a Claim for which an applicable Bar Date, if any, has passed may not be filed or amended without the authorization of the Bankruptcy Court. Unless otherwise provided herein, or otherwise consented to by the Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) any Claim or amendment to a Claim, which Claim or amendment is filed after the Confirmation Date, shall be deemed Disallowed in full and expunged without any action by the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) unless the holder of such Claim has obtained Bankruptcy Court authorization for such filing.

**6.22** ***Estimation of Claims.***

The Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (solely as to Class 6 Claims), as applicable, may, at any time, request that the Bankruptcy Court estimate any Claim not expressly Allowed under the Plan and otherwise subject to estimation under section 502(c) of the Bankruptcy Code and for which the Debtor may be liable under the Plan, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim pursuant to section 502(c). If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount would constitute either: (a) the Allowed amount of such Claim; or (b) a maximum limitation on such Claim, in which case the Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may elect to pursue supplemental proceedings to object to the ultimate Allowed amount of such Claim, to be determined by the Bankruptcy Court. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

**6.23** ***Executory Contracts and Unexpired Leases.***

(a) **Assumption and Rejection.**

Subject to the occurrence of the Effective Date, all of the Debtor's executory contracts and leases not: (i) previously rejected by the Debtor; or (ii) designated by DASNY, DASNY's designee, or the Reorganized Debtor as set forth in the Plan Supplement or such other mechanism as is approved by the Bankruptcy Court and assumed by the Debtor, shall be rejected as of the Petition Date or Confirmation Date (as applicable) or such other date designated by DASNY, DASNY's designee, or the Reorganized Debtor (as applicable) with such date to be

specified on or prior to the Effective Date or as otherwise agreed to with the counterparty to such executory contract or lease; provided, however, that the Debtor's collective bargaining agreements with: (i) the New York State Nurses Association; and (ii) 1199SEIU United Healthcare Workers East shall not be rejected under the Plan and will be assumed.

Entry of the Confirmation Order, subject to the occurrence of the Effective Date, shall constitute: (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption or the assumption and assignment of the executory contracts and unexpired leases assumed or assumed and assigned under the Plan; and (ii) the approval, pursuant to sections 365(a) and 1123(b)(2), of rejection of the executory contracts and unexpired leases rejected under the Plan.

(b) **Cure Matters.**

At the election of DASNY, DASNY's designee, or the Reorganized Debtor (as applicable), any monetary defaults under each executory contract and unexpired lease to be assumed under the Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code, by either: (i) payment of the Cure Amount (e.g., the default amount) in Cash on or as soon as reasonably practicable after the later to occur of (A) thirty (30) days after the determination of the Cure Amount and (B) the Effective Date or such other date as may be set by the Bankruptcy Court; or (ii) satisfaction on such other terms as agreed to by the Debtor or Reorganized Debtor and the non-Debtor party to such executory contract or unexpired lease, subject to the prior written consent of DASNY, DASNY's designee, or the Reorganized Debtor.

HHS asserts that the cure for assumption of a Medicare provider agreement is participation in the Medicare program in the ordinary course of business, subject to the terms and conditions of the Medicare provider agreement and the incorporated Medicare statutes, regulations, policies, and procedures, including successor liability respecting any Medicare liabilities.

In the event of a dispute regarding: (i) the Cure Amount; (ii) the ability of the Reorganized Debtor or DASNY's designee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (iii) any other matter pertaining to the assumption of an executory contract or unexpired lease, the cure payment required by section 365(b)(1) of the Bankruptcy Code shall be made only following entry of a Final Order resolving such dispute and approving the assumption of such executory contract or unexpired lease. A Cure Dispute shall not delay the occurrence of the Effective Date.

(c) **Bar Date for Rejection Damages Claims.**

Claims arising out of the rejection of an executory contract or unexpired lease must be filed with the Bankruptcy Court no later than thirty (30) days after the later of: (a) the Effective Date; or (b) the date of the Debtor's or Reorganized Debtor's, as applicable, notice of determination to reject an executory contract or unexpired lease. Any Claim not filed within such time period shall be forever barred from assertion against the Debtor, the Reorganized Debtor, or the Liquidating Trust, as applicable.

**6.24** ***Conditions Precedent to Confirmation and Consummation of the Plan.***

(a) **Conditions Precedent to Confirmation.**

Confirmation of the Plan is subject to the following conditions having been satisfied or waived pursuant to the provisions of Article VIII of the Plan:

(i) entry of the Confirmation Order, which shall be in form and substance reasonably satisfactory to the Debtor and DASNY;

(ii) availability of and binding commitments to provide funding for consummation of the Plan, including the following:

(A) the amounts proposed by DASNY to be provided under the DIP Facility and approved by the Bankruptcy Court to be reserved for payment by the Disbursement Agent of all Allowed Administrative Claims (including Postpetition Medical Malpractice Claims) and all Allowed Claims in each of Classes 1, 2 and 3;

(B) the $200,000 of funding for the Liquidating Trust to be provided by DASNY to the Debtor pursuant to the DIP Facility for transfer to the Liquidating Trust on the Effective Date; and

(C) the initial funding for the Reorganized Debtor to be provided by DASNY pursuant to an exit financing facility; and

(iii) the New Board for the Reorganized Debtor shall have been selected.

(b) **Conditions Precedent to the Effective Date.**

The occurrence of the Effective Date is subject to the following conditions having been satisfied or waived pursuant to Article VIII of the Plan:

(i) the Confirmation Order in form and substance acceptable to the Debtor and DASNY shall have been entered and shall have become a Final Order;

(ii) the Debtor shall have received all authorizations, consents, regulatory approvals, rulings, or documents necessary to implement the Plan;

(iii) either DASNY, on behalf of DASNY's designee, or the Reorganized Debtor (as applicable), and each of the following shall have agreed in writing to resolve or the Bankruptcy Court shall have resolved any remaining disputes with and concerning:

- counterparties as to the terms of material real property leases to be assumed by DASNY's designee or by the Reorganized Debtor;
- counterparties as to the terms of material executory contracts to be assumed by the Reorganized Debtor;
- critical vendors as to credit terms for the Reorganized Debtor;
- the United States Secretary of Health and Human Services, as to the amount of liabilities assumed by the Reorganized Debtor respecting the Debtor's operator agreements;
- CIR, 1199, NYSNA, and any other counterparty as to the terms of its respective collective bargaining agreement, employee pension and benefit agreements, or other related and analogous agreements;
- applicable parties respecting each other material matter set forth in the Plan that is to be agreed upon; and

(iv) all requisite funding then due to the Liquidating Trust, Disbursement Agent, Debtor, or Reorganized Debtor shall have been provided or be the subject of a binding commitment.

(c) **Waiver of Conditions Precedent.**

Other than the requirement that the Confirmation Order must be entered, which cannot be waived, the requirement that a particular condition be satisfied may be waived in whole or part by the Debtor, with the prior written consent of DASNY, without notice and a hearing, and the Debtor's benefits under the "mootness doctrine" shall be unaffected by any related provision of the Plan. The failure to satisfy or waive any condition may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without limitation, any act, action, failure to act or inaction by the Debtor). The failure of the Debtor to assert the non-satisfaction of any such conditions shall not be deemed a waiver of any other rights under the Plan, and each such right shall be deemed an ongoing right that may be asserted or waived (as set forth herein) at any time or from time to time.

(d) **Effect of Non-Occurrence of Conditions Precedent to Confirmation and Effective Date.**

If each of the conditions to confirmation of the Plan and occurrence of the Effective Date has not been satisfied or duly waived on or before the first Business Day that is more than 180 days after the Confirmation Date, or by such later date proposed by the Debtor and, after notice and a hearing, approved by the Bankruptcy Court, upon motion by any party in interest made before the time that each of the conditions has been satisfied or duly waived, the Confirmation Order may be vacated by the Bankruptcy Court; provided, however, that notwithstanding the filing of such a motion, the Confirmation Order shall not be vacated if each of the conditions to consummation is either satisfied or duly waived before the Bankruptcy Court enters an order granting the relief requested in such motion. If the Confirmation Order is vacated, then the Plan shall be null and void in all respects, except for Section 8.4 and Articles I, XI, and XII of the Plan, and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against the Debtor; or (b) prejudice in any manner the rights of the Debtor.

**6.25** ***Termination of the Services of Patient Care Ombudsman.***

On the Effective Date, the Ombudsman shall be released from all further authority, duty, responsibility, and obligation related to the Chapter 11 Case.

**6.26** ***Dissolution of Creditors' Committee***

After the Confirmation Date, the Creditors' Committee's duties shall be limited to addressing: (i) any appeal(s) of the Confirmation Order; (ii) objections to Fee Claims; and (iii) monitoring of any matters to be handled by the Liquidating Trust after the Effective Date. On the Effective Date, the Creditors' Committee shall be dissolved and the members of the Creditors' Committee shall be released from all rights and duties arising from or related to the Chapter 11 Case; provided, however, that the professionals retained by the Creditors' Committee shall be entitled to reasonable compensation for fees and expenses incurred through the Effective Date, subject to any necessary approval by the Bankruptcy Court.

## ARTICLE VII.

## CONFIRMATION OF THE PLAN

**7.1** ***Acceptance of the Plan; Cram Down.***

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 votes to accept or reject a plan.

Classes 4, 5, and 6 are impaired under the Plan and entitled to vote to accept or reject the Plan. If one or more impaired Classes votes to reject the Plan, the Debtor may, in its discretion, seek confirmation of the Plan if it can meet the requirements of section 1129(b) of the Bankruptcy Code, described in section 7.3 below.

**7.2** ***Confirmation Hearing and Objections.***

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing to consider confirmation of the Plan. Accompanying this Disclosure Statement is notice of the date and time fixed by the Bankruptcy Court for the Confirmation Hearing and for filing and serving objections to confirmation of the Plan. **ANY OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE FILED WITH THE BANKRUPTCY COURT AND SERVED IN ACCORDANCE WITH APPLICABLE BANKRUPTCY RULES AND ANY PROCEDURES ESTABLISHED BY THE BANKRUPTCY COURT.**

**7.3** ***Confirmation.***

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied respecting the Plan. If so, the Bankruptcy Court will enter an order confirming the Plan.

(a) **Confirmation Requirements for Plan.**

Confirmation of a plan under section 1129(a) requires, among other things, that:

- the plan complies with the applicable provisions of the Bankruptcy Code. See "Bankruptcy Code Compliance" discussion below;

- the proponent of the plan has complied with the applicable provisions of the Bankruptcy Code;

- the plan has been proposed in good faith and not by any means forbidden by law;

- any plan payment made or to be made by the proponent under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable;

- the proponent has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office by such individual must be consistent with the interests of creditors and with public policy and the proponent must have disclosed the identity of any insider that the reorganized debtor will employ or retain, and the nature of any compensation for such insider;

- respecting each impaired class of 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 debtor were liquidated on such date under chapter 7 of the Bankruptcy Code. See "Best Interests" discussion below;

- each class of claims has either accepted the plan or is not impaired under the plan. See "Acceptance" discussion below;

- except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that allowed administrative expenses and priority claims will be paid in full on the plan's effective date;

- if a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class; and

- confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan. See "Feasibility" discussion below.

(b) **Bankruptcy Code Compliance; Classification of Claims.**

Section 1123 of the Bankruptcy Code provides that a chapter 11 plan must classify claims against a debtor. Under section 1122 of the Bankruptcy Code, a chapter 11 plan may classify claims only into classes containing claims that are substantially similar to the other claims in the same class. The Plan designates six classes of Claims. The Debtor believes the Plan meets the classification requirements of the Bankruptcy Code. However, a holder of a Claim may challenge the Debtor's classification of Claims. Then the Bankruptcy Court could determine that a different classification is required for the Plan to be confirmed. In such event, the Debtor would seek to modify the Plan to provide for whatever classification might be required by the Bankruptcy Court and to use the acceptances received, to the extent permitted by the Bankruptcy Court, the Bankruptcy Code, and the Bankruptcy Rules, to demonstrate acceptance by the affected Class or Classes. Any such reclassification could affect a Class's acceptance of the Plan by changing the composition of such Class and the required vote for acceptance of the Plan and potentially require a resolicitation of votes on the Plan.

(c) **Best Interests of Creditors; Liquidation Analysis.**

Respecting each impaired Class of Claims, confirmation of the Plan requires that each holder of a Claim either: (i) has accepted the Plan; or (ii) would receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. This requirement is commonly referred to as the "best interests" test. Classes 1, 2, and 3 will be deemed to have accepted the Plan. Class 7 includes equity interests. Class 4 is expected to accept the Plan Thus, at most, the best interest test is relevant to Classes 5 and 6.

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 liquidation of the Debtor's assets in a chapter 7 case. These proceeds must then be reduced by the costs of such liquidation, including: (x) costs incurred during the Chapter 11 Case (such as professionals' fees and expenses); (y) a chapter 7 trustee's fees; and (z) the fees and expenses of professionals retained by such chapter 7 trustee. The potential chapter 7 liquidation distribution respecting each Class then must be further reduced by costs due to the delay caused by conversion to chapter 7.

After accounting for the liquidation proceeds and deductions described above, the net present value of a hypothetical chapter 7 liquidation distribution respecting an impaired Class is compared to the recovery provided for that Class in the Plan. The Debtor's Liquidation Analysis is attached hereto as Exhibit 6. As set forth in the Liquidation Analysis, in a chapter 7 liquidation of the Debtor's assets, each creditor in Class 5, the Class containing the East Building Claims, and Class 6, the Class containing General Unsecured Claims, is projected to receive less than projected under the Plan. Accordingly, the Plan is in the "best interests" of each creditor in such Classes even if such creditor does not accept the Plan. Please refer to the Liquidation Analysis at Exhibit 6 for specific valuation and estimated recovery figures.

(d) **Acceptance by All Impaired Classes; Request for Confirmation Without Acceptance by All Impaired Classes / Cram Down.**

As mentioned above, Classes 4, 5, and 6 are impaired under the Plan and are entitled to vote to accept or reject the Plan. Class 1, 2 and 3 are unimpaired and, therefore, conclusively presumed to have voted to accept the Plan. Although Class 7 is impaired under the Plan, Class 7 is deemed to have rejected the Plan.

Section 1129(b) permits a bankruptcy court to confirm a plan not accepted by all impaired classes if such plan has been accepted by at least one class of impaired claims. Class 4 (DASNY Claims) is an impaired Class of Claims expected to accept the Plan. The Debtor reserves the right to seek confirmation of the Plan pursuant to section 1129(b). Section 1129(b) provides that notwithstanding the failure of an impaired class to accept a chapter 11 plan, the plan still may be confirmed through a procedure commonly known as "cram-down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" respecting each class of claims impaired under that did not accept the plan.

The condition that a plan be "fair and equitable" respecting 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 property under the plan of a value as of the effective date of the plan equal to the

allowed amount of such claim; or (b) no class junior to the non-accepting class will receive a distribution under the plan.

A Class of equity interests may be crammed down if the Plan does not discriminate unfairly against that Class and no junior interest is to receive or retain anything under the Plan on account of such junior interest.

(e) **Feasibility.**

Section 1129(a)(11) provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that the plan is feasible. A feasible plan is one that will not lead to a need for further reorganization or liquidation of the debtor, unless such reorganization or liquidation is proposed in the plan. Financial Projections and a Pro Forma Balance Sheet for the Reorganized Debtor are attached as Exhibits 5 and 3, respectively. The Debtor believes the Financial Projections demonstrate the Plan satisfies the feasibility requirement of the Bankruptcy Code. The Debtor also believes the funds on hand, remaining to be drawn under the DIP facility, and the additional funding and/or financing provided by DASNY and/or DOH will enable the Debtor, DASNY, DASNY's designee, the Disbursement Agent, the Reorganized Debtor, and the Liquidating Trust (as applicable) to meet each of their Plan-related obligations and to support the ongoing financial obligations of the Reorganized Debtor through implementation of its Work Plan to reorganize, transfer, modify and/or terminate operations of the Debtor's Hospital and Clinics.

### 7.4 *Plan Consummation.*

The Plan will be consummated on the Effective Date. The target Effective Date is May 14, 2014 and DASNY and DOH require that the Effective Date occur in May 2014. The Effective Date will occur on or about the first Business Day on which the conditions precedent to the effectiveness of the Plan as set forth in the Plan have been satisfied or waived pursuant to the Plan.

## ARTICLE VIII.

## ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not consummated, then the alternatives include: (i) proposal of an alternative chapter 11 plan for reorganization or liquidation of IMC; and (ii) liquidation of IMC under chapter 7 of the Bankruptcy Code.

### 8.1 *Alternative Chapter 11 Plan(s).*

In formulating and developing the Plan, the Debtor has explored numerous alternatives and engaged in extensive negotiations with DASNY, DOH, and multiple other parties in interest. The Debtor believes the Plan fairly adjusts the rights of various Classes of Claims and also provides superior recoveries to claimholders over any realistic alternative. Meanwhile, under the circumstances, the Plan also maximizes both the number of healthcare jobs to be preserved and created in the Debtor's community and the future provision of healthcare in the Debtor's community.

If the Plan is not confirmed, the Debtor, or any other party in interest, may attempt to formulate an alternative chapter 11 plan. Any attempt to formulate such an alternative would delay creditors' receipt of distributions, result in the incurrence of additional administrative expenses that likely would decrease amounts available for distributions on Allowed Claims, and result in a substantial reduction of the amount of healthcare services and jobs in IMC's community.

**8.2 *Liquidation Under Chapter 7 of the Bankruptcy Code.***

If no chapter 11 plan for the Debtor can be confirmed, then the Debtor's chapter 11 case might be converted to a case under chapter 7 of the Bankruptcy Code. In that instance a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors. In such a scenario, all creditors holding Allowed Claims likely would receive substantially lower distributions (or no distributions) and likely would have to wait longer to receive such distributions. Such results are demonstrated by the Liquidation Analysis set forth in Exhibit 6 to this Disclosure Statement. Meanwhile, the healthcare services and jobs now provided by the Debtor in IMC's community would disappear entirely or substantially.

## ARTICLE IX.

## CERTAIN RISK FACTORS TO BE CONSIDERED

Set forth below are certain risk factors relevant to creditors. These factors should not be regarded as constituting the only risks relevant to the Plan and its implementation.

**9.1 *Risk of Non-Confirmation of the Plan.***

Although the Debtor believes the Plan will satisfy all confirmation requirements, there can be no assurance the Bankruptcy Court will confirm the Plan. Among the specific confirmation risks raised by certain parties in connection with the hearing on approval of this Disclosure Statement are the following:

- The Plan provisions providing that specific amounts will be reserved to satisfy in full all Allowed Claims that are Administrative Claims (including Postpetition Medical Malpractice Claims), Class 1 Priority Claims, and Class 2 Priority Tax Claims might not satisfy the Bankruptcy Code's requirement that all such Allowed Claims be paid in full under the Plan.

- The Plan provisions providing for non-debtor releases might not be justified by the requisite unusual circumstances signifying such releases are important for the success of the Plan or by sufficient economic contributions on behalf of the released Persons.

- The appointment of a Temporary Operator for IMC on the Effective Date would constitute a change of ownership for Medicare purposes that would

preclude the Reorganized Debtor's retention of the Debtor's Medicare provider agreements.

**9.2 *Changes, Amendments, Modification, or Withdrawal of the Plan.***

The Debtor reserves the right to amend the Plan and seek confirmation of the Plan as modified. The potential impact of any such amendment or waiver on the holders of Claims cannot presently be foreseen, but might change the economic impact of the Plan on some or all of the Classes or change the relative rights of such Classes. Holders of Claims would receive notice of any such amendments or waivers to the extent materially and adversely impacted or such notice otherwise required by applicable law and the Bankruptcy Court. If after receiving sufficient acceptances, but before confirmation of the Plan, the Debtor seeks to modify the Plan, then previously solicited acceptances would be valid only if: (a) all Classes of adversely affected Claims accept the modification in writing; or (b) the Bankruptcy Court determines that such modification was *de minimis,* purely technical, or otherwise did not adversely change the treatment of holders of accepting Claims.

The Debtor reserves the right to withdraw the Plan before confirmation. If the Debtor withdraws the Plan, nothing contained in the Plan will be deemed to constitute a waiver or release of any claims by or against the Debtor or any other person, or to prejudice in any manner the rights or of the Debtor or of any other person.

**9.3 *Failure to Consummate the Plan.***

There can be no assurance the conditions to the Plan's Effective Date will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance the Plan will be consummated.

**9.4 *Alternative Chapter 11 Plans May Be Proposed.***

Other parties-in-interest could seek authority from the Bankruptcy Court to propose an alternative chapter 11 plan. Under the Bankruptcy Code, a debtor in possession initially has the exclusive right to propose and solicit acceptances of a plan of reorganization. However, such exclusivity periods can be reduced or terminated upon order of the Bankruptcy Court. Were such an order to be entered, then other parties-in-interest could have the opportunity to propose alternative chapter 11 plans.

## ARTICLE X.

## CONCLUSION

The Debtor believes confirmation and implementation of the Plan is far preferable to any alternative because the Plan would provide the greatest recovery to holders of Claims, the maximum available health care benefits to IMC's community, and the maximum number of healthcare jobs in IMC's community. Any alternative would involve significant delay, uncertainty, and substantial administrative costs that likely would reduce or eliminate returns to creditors who hold Claims, as well as the benefits to IMC's community and employees.

Dated: April 9, 2014

Respectfully submitted,

**INTERFAITH MEDICAL CENTER, INC.**,
a New York state non-profit corporation

By: /s/ Albert C. Wiltshire
Albert C. Wiltshire
Chairman, IMC Board of Trustees

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**EXHIBITS**

1) Plan

2) Assumptions to Pro Forma Balance Sheet and Financial Projections

3) Pro Forma Balance Sheet for the Reorganized Debtor

4) Sources and Uses of Cash Required for Plan Consummation

5) Financial Projections for the Reorganized Debtor Assuming a May 2014 Plan Effective Date

6) Liquidation Analysis

7) Nonexclusive List of Potential Avoidance Actions

NOTE: A copy of the Debtor's Audited Consolidated Financial Statements for the Debtor for the fiscal year ended December 31, 2012 may be accessed free of charge from the following website: www.donlinrecano.com/interfaithmedical.

# EXHIBIT 1

Plan

[Plan In The Same Form As Filed Separately]

**EXHIBIT 2**

Assumptions to Pro Forma Balance Sheet and Financial Projections

**Interfaith Medical Center, Inc.**
**Assumptions**

These Projections (as defined below) were prepared by Interfaith Medical Center, Inc.'s ("IMC" or the "Debtor") management, with the assistance of CohnReznick, the Debtor's financial advisor. The Projections present to the best of the Debtor's management's knowledge, information, and belief, the expected cash flows of the Debtor's Hospital and Clinics (collectively, the "Reorganized Debtor") for the period June 1, 2014 through May 31, 2015. Accordingly, these Projections, including the assumptions thereto, reflect as of the date of these Projections, management's reasonable judgment and estimation, of expected future cash requirements arising from business decisions, which are subject to change. The assumptions disclosed herein are those the Debtor believes are significant to the Projections.

**THE DEBTOR CAUTIONS THAT NO REPRESENTATION CAN BE MADE AS TO THE ACCURACY OF THE PROJECTED FINANCIAL INFORMATION CONTAINED HEREIN (THE "PROJECTIONS") OR THE REORGANIZED DEBTOR'S ABILITY TO ACHIEVE THE PROJECTED RESULTS. ALTHOUGH THE DEBTOR AND ITS ADVISORS BELIEVE THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES, NO ASSURANCE CAN BE GIVEN THAT THE ASSUMPTIONS WILL PROVE TO BE ACCURATE. MANY OF THE ASSUMPTIONS UPON WHICH THESE PROJECTIONS ARE BASED ARE NOT DIRECTLY DERIVED FROM HISTORICAL RESULTS AND ARE SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTIES. IT IS LIKELY THAT SOME ASSUMPTIONS WILL NOT MATERIALIZE BECAUSE OF UNANTICIPATED EVENTS AND CIRCUMSTANCES. ACCORDINGLY, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PROJECTION PERIOD ARE LIKELY TO VARY FROM THE PROJECTED RESULTS. THOSE VARIATIONS MIGHT BE MATERIAL AND ADVERSE.**

**Interfaith Medical Center, Inc.**
**Assumptions**

**General Assumptions**

1) The Projections assume that during the Projection period the Reorganized Debtor's Hospital and Clinics continue to operate in the ordinary course (subject to potential operational improvements) and outpatient clinics are not transferred to a third party. The Projections also assume a Plan of Reorganization for IMC is confirmed and goes effective in May 2014.

2) The Projections reflect projected results through May 31, 2015.

   In addition, the Debtor has identified various operating and Chapter 11 related initiatives that could enhance projected operating results. It is anticipated that updated projections appended to a Plan supplement will detail assumptions and projected results related to such initiatives.

3) The Projections assume DASNY advances sufficient funds to cover the high end of the estimated range of exit costs, including monies to compensate the Disbursement Agent and professionals retained by the Disbursement Agent to reconcile, negotiate, and prosecute claims objections, and to pay claims (other than general unsecured claims). In addition, the Projections assume sufficient funding for the Reorganized Debtor to meet its cash needs in the ordinary course during the post confirmation period, including post-petition accounts payable and accrued expenses, and Medicaid and Medicare recoupment liabilities, which total approximately $6.6 million and $15.6 million, respectively (see notes 10 and 16 below).

**Balance Sheets and Cash Flows Assumptions**

4) Working capital requirements do not materially change on a monthly basis.

5) The Projections reflect DASNY's prior application of marketable securities under the bond indenture (bond debt service reserve funds) to its outstanding loan balance.

6) Pre-petition escrowed funds for medical malpractice claim settlements are not property of estate and are reflected as reducing the corresponding medical malpractice claims.

7) Professional fee reserve is equal to the outstanding professional fees at the Effective Date. To the extent such reserved funds exceed the outstanding allowed fees plus fees incurred after the Effective Date (other than professionals retained by the Reorganized Debtor), excess funds will be transferred to DASNY's designee. Accordingly, the Balance Sheet reflects professional fee reserve balance of $0 at the Effective Date.

8) Real property with a book value of approximately $54.5 million is transferred to DASNY's designee on the Effective Date and all other assets, including the Debtor's interest in Health First, are assumed to remain with the Reorganized Debtor.

9) Capital expenditures, except specific initiatives, are projected to be $100K per month.

10) Accounts payable and accrued expenses at the Effective Date are reduced for: (a) vouchered professional fees ($2 million) that are assumed to be paid from the professional fee reserve (see note 7; and (b) East Building lease payments ($1 million) that are addressed within the exit cost assumptions.

11) The post-petition liability to the Foundation is assumed to be $0.

12) TD obligation is assumed to be settled for a $300K payment on the Effective Date.

13) The DIP loan balance on the Effective Date is not an obligation of the Reorganized Debtor.

14) Balance of long-term debt in default (DASNY debt) is not an obligation of the Reorganized Debtor.

15) The Projections assume post Effective Date NYSNA retirement benefits are funded monthly together with other benefits. The pension benefit cost paid to the NYSNA Benefit fund is assumed to be approximately $9K annually for each NYSNA employee. Currently, there are approximately 225 NYSNA employees.

16) Liabilities to third party payors (Medicare and Medicaid) at the Effective Date are assumed to equal the amounts of filed claims by State of NY Office of Medicaid and HHS (approximately $7.4 million and $8.2 million, respectively). Recoupments by both Medicaid and Medicare are assumed to commence at the rate of $400K per month on the Effective Date until fully repaid. Nonetheless, the Debtor and Reorganized Debtor reserve all rights in that regard.

17) All other liabilities are assumed to be compromised in full at the Effective Date.

**Interfaith Medical Center, Inc.**
**Assumptions**

**Statement of Operations Assumptions**

18) Revenues are based on recent (last 3 months) historical rates per discharge/visit by service line. The census was assumed to remain constant with recent trends. The following are the recent historical results per discharge/visit and monthly discharges/visits by service line:

| Inpatient Service | Revenue per Discharge | Monthly Discharges |
|---|---|---|
| Acute | $ 13,750 | 467 |
| Psych | 13,615 | 138 |
| Rehab | 9,866 | 23 |
| Detox | 2,730 | 85 |

| Outpatient Service | Revenue per Visit | Monthly Visits |
|---|---|---|
| Medical Clinics | $ 91 | 3,308 |
| Behavioral Clinics | 101 | 5,110 |
| Amb Surg | 896 | 140 |
| ED | 173 | 2,687 |

Above revenue information per discharge includes the CMS passthrough for GME.

19) Other operating revenue is based on recent historical run rates and is primarily comprised of: (i) PCs ($250K per month): (ii) grants ($150K per month); (iii) Alt Housing Program ($140K per month); (iv) medical students ($50K per month through June 2014 and $300K per month thereafter); and (v) Health First investment income ($225K per month).

20) Salaries, insurance (except medical malpractice insurance, see below), and utilities are based on recent historical run rates.

21) Medical malpractice expense (for claims arising post Effective Date) is based on an actuarial report, dated March 2014, and approximates $210K per month. The Debtor is investigating the cost of obtaining a medical malpractice insurance policy for the post Effective Date period. The Projections assume the monthly cost of insurance and/or monies funded into an escrow will be approximately $210K per month.

22) Variable costs are projected based on recent historical costs as follows:

| | |
|---|---|
| Benefits | 33% of payroll |
| Physicians and temporary labor | 5% of net patient revenue |
| Medical Supplies | 7% of net patient revenue |
| Purchased Services | 13% of net patient revenue |

Benefits are forecasted at a savings of approximately 2% of payroll to reflect NYSNA pension expense reduction (see note 15 above).

23) Rent expense to DASNY's designee and the East Building landlord are in the amounts of $0 per month and $25K per month, respectively. Although rent to DASNY for a triple net lease is still being discussed, it is anticipated that any rent requirements would result in an equivalent rate reimbursement increase, thus not materially impacting projected loss and cash flow.

24) CRO/TO, CEO, related attorney's costs, and CEO temp costs are projected to be $400K per month.

# EXHIBIT 3

Pro Forma Balance Sheet for the Reorganized Debtor

**EXHIBIT 3**

**Interfaith Medical Center, Inc.**
**Pro Forma Balance Sheet of Reorganized Debtor**

| | Projected Balance Sheet before Effective Date Adjustments | Effective Date Adjustments | Projected Balance Sheet as of Effective Date | Ref # |
|---|---|---|---|---|
| **Assets:** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $8,780,345 | | $8,780,345 | **4, 8** |
| Accounts receivable, net of allowance for doubtful accounts | 16,188,367 | | 16,188,367 | **4, 8** |
| Public goods pools receivable | 3,005,584 | | 3,005,584 | **4, 8** |
| Grants and other receivables | 1,005,550 | | 1,005,550 | **4, 8** |
| Inventory | 721,839 | | 721,839 | **4, 8** |
| Prepaid expenses and other current assets | 408,648 | | 408,648 | **4, 8** |
| Total current assets | 30,110,333 | - | 30,110,333 | |
| Long-term assets: | | | | |
| Marketable securities under bond indenture | - | - | - | **5** |
| Pre-Petition Malpractice escrows | 4,032,244 | (4,032,244) | - | **6** |
| Professional fee reserve | 5,985,606 | (5,985,606) | - | **7** |
| Permanently restricted funds | 1,108,848 | | 1,108,848 | **8** |
| Property, plant and equipment, net of accumulated depreciation | 57,948,454 | (54,448,454) | 3,500,000 | **8, 9** |
| Investment in Health First | 14,550,529 | | 14,550,529 | **8** |
| Security deposits and other | 1,226,929 | (1,226,929) | - | |
| Total long-term assets | 84,852,610 | (65,693,233) | 19,159,377 | |
| Total assets | 114,962,943 | (65,693,233) | 49,269,710 | |
| **Liabilities and net assets (deficiency)** | | | | |
| Liabilities not subject to compromise: | | | | |
| Accounts payable and accrued expenses | 9,981,193 | (3,000,000) | 6,981,193 | **4, 10** |
| Accrued salaries and withholdings | 2,286,266 | | 2,286,266 | **4, 10** |
| Accrued vacation | 3,436,102 | | 3,436,102 | **4, 10** |
| Accrued benefits | 2,460,782 | | 2,460,782 | **4, 10** |
| Due to Foundation | 4,300,000 | (4,300,000) | - | **11** |
| Post-Petition medical malpractice liabilities | 3,527,475 | (3,527,475) | - | **3** |
| Accrued retirement benefits | 8,363,529 | (8,363,529) | - | **3** |
| Other liabilities | 500,000 | (500,000) | - | **3** |
| Due to third party payors | 25,293,800 | (9,721,606) | 15,572,194 | **3, 16** |
| DIP loan | 30,000,000 | (30,000,000) | - | **13** |
| Long-term debt in default | 131,494,052 | (131,494,052) | - | **14** |
| Total liabilities not subject to compromise | 221,643,199 | (190,906,662) | 30,736,537 | |
| Liabilities subject to compromise | 159,459,162 | (159,459,162) | - | **17** |
| Total liabilities | 381,102,361 | (350,365,825) | 30,736,537 | |
| Net assets (deficiency): | | | | |
| Unrestricted | (267,373,868) | 284,672,592 | 17,298,723 | |
| Temporarily restricted | 125,602 | | 125,602 | |
| Permanently restricted | 1,108,848 | | 1,108,848 | |
| Total net assets (deficiency) | (266,139,418) | 284,672,592 | 18,533,173 | |
| Total liabilities and net deficit | $114,962,943 | ($65,693,233) | $49,269,710 | |

# EXHIBIT 4

Sources and Uses of Cash Required for Plan Consummation

**EXHIBIT 4**

**Interfaith Medical Center, Inc.**
**Sources and Uses of Cash Required for Plan Consummation**

***($ in thousands)***

| | Low | High | |
|---|---|---|---|
| **Sources:** | | | |
| DIP Loan (Exit Financing) | $9,720 | $26,420 | |
| Restricted Medical Malpractice Indemnity Fund | 400 | 400 | |
| Funding from Covered Persons | TBD | TBD | |
| Professional Fee Reserve | 2,500 | 3,000 | |
| Total Sources | 12,620 | 29,820 | |
| **Uses:** | | | |
| Secured Claims | 600 | 700 | **A** |
| Priority Claims (including Priority Tax Claims) | 2,000 | 3,900 | **A** |
| 503(b)(9) and Reclamation Claims | 500 | 700 | **A** |
| Other Administrative Claims | 0 | 3,400 | **A** |
| IRS Pension Underfunding Penalties | 0 | 2,400 | **B** |
| PBGC Premium | 0 | 500 | **C** |
| PBGC Pension Termination Premium | 5,400 | 5,400 | **C** |
| Cure Costs | 0 | 3,000 | **D** |
| KERP | 300 | 300 | |
| Accrued Medical Malpractice Claims (Post-Petition) | 0 | 3,900 | **E** |
| Due to IM Foundation (Post-Petition) | 0 | 0 | **F** |
| East Building Liability | 0 | 1,300 | **G** |
| Professional Fees | 2,500 | 3,000 | |
| Pre-Petition Medical Malpractice Claims against Covered Persons | TBD | TBD | |
| U.S. Trustee Fees | 120 | 120 | |
| Disbursement Agent Including Professionals | 1,000 | 1,000 | |
| Liquidation Trust Funding | 200 | 200 | **H** |
| | $12,620 | $29,820 | |

**See Assumptions to Sources and Uses on following page.**

## Interfaith Medical Center, Inc.
## Assumptions to Sources and Uses of Cash Required for Plan Consummation

Note: The Projections assume DASNY advances sufficient funds to cover the high end of the estimated range of exit costs, including monies to compensate the Disbursement Agent and professionals retained by the Disbursement Agent to reconcile, negotiate, and prosecute claims objections, and to pay claims (other than general unsecured claims). Administrative expenses to be paid in the ordinary course shall be assumed by the Reorganized Debtor and are not included in the above schedule.

**A** The estimated secured, priority, and administrative claims are based on the Debtor's analysis of the claims register as of February 28, 2014. The above range excludes amended, duplicate, and other clearly invalid claims (such as 503(b)(9) claims for services). In addition, Other Administrative Claims (High range) includes post-petition pension costs of approximately $3 million. Counsel is analyzing whether these costs are a valid administrative claim.

**B** Counsel is analyzing whether these claims for taxes resulting from unpaid pension contributions for 2011 through 2013, is a tax or a penalty.

**C** PBGC premiums have been paid in full by the pension plans' administrator through 2013. 2014 premiums (estimated at $500K) are due in October 2014, and if not paid from pension plan assets, could be a liability of IMC. PBGC Pension Termination Premium is not discharged by the Plan and is based on $1,250 per pension plan participant (approximately 1,400 participants) per year for three years. Nonetheless, the Debtor and Reorganized Debtor reserve all rights in that regard.

**D** Cure costs are estimates and do not reflect third party payor liabilities.

**E** Represents approximate actuarial computed post-petition medical malpractice liability. To date, no post-petition medical malpractice claims have been asserted against the Debtor.

**F** Although the IM Foundation might assert an administrative claim against IMC for $4.3 million based on an alleged post petition unsecured loan to IMC, no amount is included in the exit costs for any such liability. Due to a variety of factors, IMC does not expect that any such claim will be allowed. First, any such alleged loan liability to the IM Foundation could be recharacterized as a contribution to IMC. Second, the IM Foundation could be liable to IMC for at least an equal amount based on an avoidance action. The IM Foundation, however, has not agreed to disallowance of any such claim.

**G** East Building liability is based on the contractual rate of the lease, less the aggregate amounts already paid during the post petition period pursuant to the Court approved interim stipulation. Nonetheless, the Debtor and Reorganized Debtor reserve all rights in that regard.

**H** DASNY has consented to the funding of $200K for a liquidating trust to fund its administrative costs and initial costs to pursue certain causes of action pursuant to the Plan. Net proceeds from such actions would inure to the benefit of general unsecured creditors.

# EXHIBIT 5

Financial Projections for the Reorganized Debtor Assuming a May 14, 2014 Plan Effective Date

**EXHIBIT 5**

# Interfaith Medical Center, Inc.
## Projected Statements of Operations of Reorganized Debtor
### June 2014 - May 2015

| | June | July | August | September | October | November | December | January | February | March | April | May | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | | | | | | | |
| Net inpatient revenue | $9,715,358 | $9,997,696 | $9,997,696 | $9,715,358 | $9,997,696 | $9,715,358 | $9,997,696 | $9,997,696 | $9,240,628 | $9,997,696 | $9,715,358 | $9,997,696 | $118,085,934 |
| Net outpatient revenue | 1,355,866 | 1,401,228 | 1,401,228 | 1,355,866 | 1,401,228 | 1,355,866 | 1,401,228 | 1,401,228 | 1,401,228 | 1,401,228 | 1,401,228 | 1,401,228 | 16,678,655 |
| Bad debt expense | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (8,400,000) |
| Capitation | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 1,800,000 |
| Net patient revenue | 10,521,225 | 10,848,925 | 10,848,925 | 10,521,225 | 10,848,925 | 10,521,225 | 10,848,925 | 10,848,925 | 10,091,856 | 10,848,925 | 10,566,587 | 10,848,925 | 128,164,588 |
| Other operating | 840,000 | 1,095,000 | 1,095,000 | 1,090,000 | 1,090,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 12,875,000 |
| Total revenue | 11,361,225 | 11,943,925 | 11,943,925 | 11,611,225 | 11,938,925 | 11,616,225 | 11,943,925 | 11,943,925 | 11,186,856 | 11,943,925 | 11,661,587 | 11,943,925 | 141,039,588 |
| **Expenses:** | | | | | | | | | | | | | |
| Salaries and wages | 8,004,644 | 8,271,466 | 8,091,837 | 8,004,644 | 8,428,066 | 8,004,644 | 8,271,466 | 8,091,837 | 7,471,001 | 8,271,466 | 8,004,644 | 8,428,066 | 97,343,784 |
| Employee benefits | 2,641,533 | 2,729,584 | 2,670,306 | 2,641,533 | 2,781,262 | 2,641,533 | 2,729,584 | 2,670,306 | 2,465,430 | 2,729,584 | 2,641,533 | 2,781,262 | 32,123,449 |
| Physicians and temp labor | 493,965 | 510,430 | 510,430 | 493,965 | 510,430 | 493,965 | 510,430 | 510,430 | 461,034 | 510,430 | 493,965 | 510,430 | 6,009,903 |
| Medical supplies | 707,836 | 730,202 | 730,202 | 707,836 | 730,202 | 707,836 | 730,202 | 730,202 | 678,532 | 730,202 | 710,932 | 730,202 | 8,624,383 |
| Other | 381,143 | 393,185 | 393,185 | 381,143 | 393,185 | 381,143 | 393,185 | 393,185 | 365,363 | 393,185 | 382,810 | 393,185 | 4,643,899 |
| Purchased services | 1,400,115 | 1,444,355 | 1,444,355 | 1,400,115 | 1,444,355 | 1,400,115 | 1,444,355 | 1,444,355 | 1,342,151 | 1,444,355 | 1,406,239 | 1,444,355 | 17,059,219 |
| Utilities | 267,781 | 276,707 | 276,707 | 267,781 | 276,707 | 267,781 | 276,707 | 276,707 | 276,707 | 276,707 | 276,707 | 276,707 | 3,293,704 |
| Insurance including malpractice | 279,452 | 288,767 | 288,767 | 279,452 | 288,767 | 279,452 | 288,767 | 288,767 | 288,767 | 288,767 | 288,767 | 288,767 | 3,437,260 |
| Interest & mortgage fees | | | | | | | | | | | | | - |
| Depreciation & amortization | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 120,000 |
| Total operating expenses | 14,186,469 | 14,654,696 | 14,415,790 | 14,186,469 | 14,862,974 | 14,186,469 | 14,654,696 | 14,415,790 | 13,358,985 | 14,654,696 | 14,215,597 | 14,862,974 | 172,655,601 |
| **Loss from operations before Reorganization Costs** | (2,825,244) | (2,710,771) | (2,471,865) | (2,575,244) | (2,924,049) | (2,570,244) | (2,710,771) | (2,471,865) | (2,172,129) | (2,710,771) | (2,554,010) | (2,919,049) | (31,616,012) |
| CRO/TO, CEO & Counsel | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 5,004,000 |
| Reorganization costs/UST fees | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Loss from operations** | (3,242,244) | (3,127,771) | (2,888,865) | (2,992,244) | (3,341,049) | (2,987,244) | (3,127,771) | (2,888,865) | (2,589,129) | (3,127,771) | (2,971,010) | (3,336,049) | (36,620,012) |
| **EBIDA** | ($3,232,244) | ($3,117,771) | ($2,878,865) | ($2,982,244) | ($3,331,049) | ($2,977,244) | ($3,117,771) | ($2,878,865) | ($2,579,129) | ($3,117,771) | ($2,961,010) | ($3,326,049) | ($36,500,012) |
| Capital Expenditures | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($1,200,000) |
| Health First Income incl capitation | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($25,000) | (4,150,000) |
| Health First Receipts | | 100,000 | | 100,000 | | | 100,000 | | | | 1,500,000 | | 1,800,000 |
| Accrued retirement benefits | | | | | | | | | | | | | - |
| Malpractice Accruals, net | | | | | | | | | | | | | - |
| Recoupments | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (4,800,000) |
| Net cash flow | (4,107,244) | (3,892,771) | (3,753,865) | (3,757,244) | (4,206,049) | (3,852,244) | (3,892,771) | (3,753,865) | (3,454,129) | (3,992,771) | (2,336,010) | (3,851,049) | (44,850,012) |
| Beginning Cash | 8,780,345 | 4,673,101 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 8,780,345 |
| Ending Cash before NYS funding | 4,673,101 | 780,330 | (1,753,865) | (1,757,244) | (2,206,049) | (1,852,244) | (1,892,771) | (1,753,865) | (1,454,129) | (1,992,771) | (336,010) | (1,851,049) | (36,069,667) |
| NYS funding | - | 1,219,670 | 3,753,865 | 3,757,244 | 4,206,049 | 3,852,244 | 3,892,771 | 3,753,865 | 3,454,129 | 3,992,771 | 2,336,010 | 3,851,049 | 38,069,667 |
| **Ending cash** | **$4,673,101** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** |

**EXHIBIT 6**

Liquidation Analysis

**EXHIBIT 6**

**Interfaith Medical Center, Inc.**
**Liquidation Analysis**

| Description | Book Value at February 28, 2014 | Liquidation Value |
|---|---|---|
| Cash & cash equivalents (excluding restricted cash) | $ 3,339,406 | $ 3,300,000 |
| Patient receivables, net of allowance for doubtful accounts | 16,188,367 | 7,500,000 |
| Other receivables | 4,986,134 | 3,700,000 |
| Prepaid expenses | 408,648 | - |
| Inventory | 721,839 | 200,000 |
| Permanently restricted funds | 1,255,854 | - |
| Fixed assets, net | 60,828,169 | 30,400,000 |
| Other assets | 18,676,361 | 5,500,000 |
| **Total Assets / Recovery** | **$ 106,404,778** | **50,600,000** |
| | | |
| **Proceeds available for distribution to Chapter 7 Administrative Claims** | | **50,600,000** |
| Chapter 7 trustee fees | | 1,500,000 |
| Chapter 7 professional fees | | 5,000,000 |
| Closure costs, net of closure revenues (pursuant to closure plan budget) | | 14,400,000 |
| Wind-down costs | | 2,000,000 |
| **Proceeds available for Secured Claims** | | **27,700,000** |
| DASNY/DOH | | 131,500,000 |
| ***Recovery*** | | ***21.1%*** |
| | | |
| **Proceeds available for Chapter 11 Other Secured Claims, Administrative Claims and Priority Claims** | | **(103,800,000)** |
| Chapter 11 Administrative Claims, Service Provider Claims and Priority Claims | | 11,500,000 |
| ***Recovery*** | | ***0.0%*** |
| | | |
| **Proceeds Available for Unsecured Claims** | | **(115,300,000)** |
| General Unsecured Claims | | $ 375,000,000 |
| ***Recovery*** | | ***0.0%*** |

**EXHIBIT 6**

**Interfaith Medical Center, Inc.**
**Liquidation Analysis**

1) Date of projected liquidation and closure commencement is assumed to be April 30, 2014

2) Patient receivables under a liquidation scenario are valued as follows:

| | Book Value | Liquidation Adjustment | Liquidation Value | Comments |
|---|---|---|---|---|
| Medicaid | $ 2,512,578 | 100% | $ - | Assumes Medicaid setoff of payor liabilities. |
| Medicaid HMO | 5,268,214 | 25% | 3,951,161 | |
| Medicare | 2,021,139 | 100% | - | Assumes Medicare setoff of payor liabilities. |
| Medicare HMO | 2,390,551 | 25% | 1,792,913 | |
| Commercial | 1,553,755 | 25% | 1,165,316 | |
| Workers Comp | 42,079 | 25% | 31,559 | |
| Self Pay | 2,400,049 | 75% | 600,012 | Difficulty in collecting self pay receivables is exacerbated in a liquidation scenario. |
| | $ 16,188,365 | | $ 7,540,962 | |

3) Other receivables are assumed to be collected at 75%.

4) Prepaid expenses are primarily insurance premiums that expire in the April through July 2014 period. Accordingly, the liquidation value of such assets is $0.

3) Book value of inventory is assumed to approximate its fair market value, and is valued at 25% in a liquidation.

4) Fixed assets are valued at 50% of their book value.

5) Other assets consists primarily of IMC's investment in Health First and various vendor deposits. The liquidation analysis assumes vendors will setoff deposits against their outstanding payables. The liquidation value of Health First is assumed to be $5.5 million, pursuant to IMC's contract with Health First.

6) Chapter 7 trustee fees are estimated at 3% of gross liquidation proceeds.

7) Professional fees represent fees of attorneys, financial advisors, accountants, appraisers, and other professionals retained by the Chapter 7 Trustee.

8) Closure costs include projected costs to close the hospital and transfer patients to alternate facilities. Such costs, net of closure revenues, are based on IMC's closure plan budget filed with the court on November 1, 2013.

9) Wind-down costs consist of expenses of maintaining the Debtor's systems and payroll for certain employees necessary to collect the receivables, monetize assets and assist the Chapter 7 Trustee in the claims adjudication process.

10) Solely for this liquidation analysis, the Debtor assumes DASNY has a valid, perfected, and senior security interest in all of the Debtor's assets.

**EXHIBIT 7**

Nonexclusive List of Potential Avoidance Actions

# Interfaith Medical Center, Inc.
## Vendor Payments
## 90 Days Prior to Filing

| Vendor Name | |
|---|---|
| 1199SEIU National Benefit Fund | $ 1,648,589.81 |
| 1545 ATLANTIC DEVELOPMENT LLC | 184,060.00 |
| 2010 PUBLIC GOODS POOLS | 349,895.00 |
| 3M | 12,981.59 |
| 467-75 ST MARKS AVE | 112,015.00 |
| AARONSON RAPPAPORT FEINSTEIN | 19,424.63 |
| ACG OF LONG ISLAND ENTERPRISES | 10,616.00 |
| ACTION CARTING | 59,712.76 |
| ADP INC | 7,074.14 |
| ADP SCREENING & SELECTION | 10,223.76 |
| AFCO | 62,718.78 |
| ALERE NORTH AMERICA,INC | 32,409.00 |
| ARTHUR M.MAGUN,MD | 6,869.00 |
| ATLANTIC AVENUE RADIOLOGY,PC | 40,485.30 |
| B. BRAUN MEDICAL INC | 18,475.92 |
| BENJAMIN BARRAH, M.D. | 20,833.32 |
| BIO-REFERENCE LABORATORIES | 12,065.00 |
| BLACK BOX NETWORK SERVICES | 18,750.04 |
| BOSTON SCIENTIFIC CO | 117,787.21 |
| BROOKLYN AIDS TASK FORCE | 60,294.70 |
| BROOKLYN EVENT CENTER LLC | 41,250.00 |
| C.I.R. SEIU HEALTHCARE | 145,800.00 |
| CAREFUSION 2200 INC | 7,811.00 |
| CEN-MED ENTERPRISES | 9,555.00 |
| CENTRAL ABSORPTION,INC. | 40,030.27 |
| CHANTEL COOKSON | 6,219.00 |
| CHEYENNE REALTY LLC | 79,336.77 |
| CHRISTINE ANN MOONEY | 46,296.29 |
| CLEANING EQUIPMENT MAINTENANCE CORP | 15,747.78 |
| CLINICAL STAFFING RESOURCES | 161,845.50 |
| COLONIAL VOLUNTARY INSURANCE | 6,108.18 |
| COMMITTEE OF INTERNS | 29,810.21 |
| CON EDISON | 65,055.72 |
| CONMED LINVATEC | 28,190.61 |
| CORAM | 13,800.00 |
| CREATIVE HEALTH CONCEPTS LTD | 30,000.00 |
| CUSTOM STAFFING INC | 100,046.93 |
| DATA MARSHALL INC. | 92,106.61 |
| DATA-CORE SYSTEMS INC | 13,605.00 |
| DB TECHNOLOGY,LLC | 12,395.11 |
| DELL MARKETING L.P. | 36,517.28 |
| DIVERSIFIED INVESTMENT | 959,072.82 |
| DJO SURGICAL | 16,893.53 |
| EAST COAST PETROLEUM | 47,156.98 |
| ECRI | 6,424.00 |
| ELIZABETH WARREN | 6,890.48 |
| ELIZABETH WARREN AND PETERS BERGER | 43,109.52 |
| EMPIRE HEALTH CHOICE ASSURANCE INC | 425,498.31 |
| ENVIRONMENTAL ENGINEERING SOL P.C. | 13,472.50 |
| E-SCAN DATA SYSTEMS INC. | 119,662.55 |
| EV3 INC. | 44,641.00 |

# Interfaith Medical Center, Inc.
## Vendor Payments
## 90 Days Prior to Filing

| | |
|---|---|
| FIRST UNUM LIFE INSURANCE COMPANY | 16,694.31 |
| FIRSTDATABANK, INC | 22,852.00 |
| FRESENIUS MEDICAL CARE N.A. | 112,115.00 |
| GE HEALTHCARE SERVICES | 39,804.10 |
| GE MEDICAL SYSTEMS INFORMATION TECH | 97,262.25 |
| GLOBAL COMMUNICATION | 105,630.00 |
| HEALTH FACILITY ASSESSMENT FUND | 134,088.00 |
| HEALTH SERVICES RETIREMENT PLAN | 24,675.00 |
| HEALTH/ROI | 66,204.55 |
| HEALTHCARE REVENUE STRATEGIES | 19,687.50 |
| IATRIC | 13,800.00 |
| INNOMED, INC. | 12,233.57 |
| INTERNAP NETWORK SERVICES | 6,722.86 |
| JERKIELAH WATERMAN AND LUFTY | 18,666.66 |
| JOSEPH S. RACCUIA,MD | 27,750.00 |
| JULAINE DACOSTA | 7,500.00 |
| JZANUS, LTD | 54,081.28 |
| KONICA MINOLTA MEDICAL IMAGING | 15,040.00 |
| KRONOS | 11,496.82 |
| KURRON SHARES OF AMERICA | 974,205.40 |
| LABORATORY CORP OF AMERICA | 47,252.89 |
| MAS | 7,865.84 |
| MAXX HEALTH INC. | 8,185.00 |
| MCGRAW COMMUNICATION | 13,146.36 |
| McKESSON TECHNOLOGIES | 16,861.18 |
| MEDICAL INFORMATION TECHNOLOGY | 130,431.00 |
| MEDMATICA CONSULTING ASSOC INC | 40,975.00 |
| MICHAEL D NIEVES | 8,200.00 |
| MILLER & MILONE PC | 77,736.34 |
| MULLOOLY,JEFFEY,ROON | 6,611.08 |
| MUSCULOSKELETAL TRANSPLANT | 17,531.65 |
| NATIONAL GOVERNMENT SERVICES | 36,427.65 |
| NATIONAL GRID | 45,567.13 |
| NATIONAL HOSP. SPECIALTIES | 9,163.00 |
| NETWORK INFRASTRUCTURE TECHNOLOGIES | 30,720.00 |
| NEW YORK SPINAL IMPLANTS | 7,250.00 |
| NEW YORK STATE INSURANCE FUND | 200,992.22 |
| NEW YORK STATE NURSES Association | 66,018.64 |
| NEXERA | 76,465.66 |
| NIXON PEABODY LLP | 92,722.57 |
| NOUVEAU ELEVATOR IND | 23,285.00 |
| NY METHODIST HOSPITAL DEPT OF PEDIA | 20,000.00 |
| NYC WATER BOARD | 70,521.11 |
| NYS DEPARTMENT OF HEALTH | 14,383.57 |
| NYSNA BENEFITS FUND | 529,879.76 |
| OCEAN SIDE INSTITUTIONAL | 81,899.94 |
| OFFICE DEPOT | 33,615.49 |
| OSTEOMED | 22,392.00 |
| PAETEC | 40,332.06 |
| PARALLEL CONTRACTING INC | 25,000.00 |
| PARK PLACE INTERNATIonal | 29,783.88 |
| PAUL E. GATES, DDS MBA | 15,000.00 |
| PETRONE ASSOCIATES LLC | 6,219.00 |

# Interfaith Medical Center, Inc.
## Vendor Payments
## 90 Days Prior to Filing

| | |
|---|---|
| PHILIPS HEALTHCARE | 175,988.61 |
| PRESS GANEY ASSOCIATES,INC. | 50,467.64 |
| PUTNEY, TWOMBLY, HALL & Hirson LLP | 70,807.72 |
| RADIOMETER AMERICA I | 5,929.37 |
| RELAY HEALTH INC | 29,282.64 |
| RENEE BROWN AS ADMIN | 50,000.00 |
| RISK MANAGEMENT PLANNING GROUP,INC. | 37,500.00 |
| SECURITAS SECURITY SERVICES USA,INC | 389,986.34 |
| SEDGWICK CLAIMS MANAGEMENT SERV. | 35,642.50 |
| SG RISK,LLC | 10,000.00 |
| SHANNAH SMALL | 6,280.00 |
| SHERRIE ADAMS | 6,920.00 |
| SIEMENS DIAGNOSTICS | 7,162.40 |
| SIGAL,INC. | 42,715.50 |
| SILBERSTEIN, AWAD & MILKOS, PC | 11,790.46 |
| ST. JUDE MEDICAL INC | 14,667.00 |
| STERICYCLE, INC. | 14,012.50 |
| STRYKER MEDICAL | 5,883.31 |
| SUPERIOR MAINTNANCE SUPPLY,LLC | 8,585.21 |
| THE CBORD GROUP INC. | 18,596.41 |
| THE PENSION COMPANY,AS ESCROW AGENT | 197,098.22 |
| THE TRUST ACCOUNT OF THE LAW - Lilith James | 81,395.34 |
| THE WEEKS LERMAN GROUP, LLC | 9,774.00 |
| TORRE JOHNSON | 35,714.28 |
| TOSHIBA AMERICA MEDICAL SYSTEMS,INC | 18,011.50 |
| TRIAD ISOTOPES INC | 9,104.52 |
| TRUVEN HEALTH ANALYTICS INC | 17,573.50 |
| UNIVERSAL HOSPITAL SERVICES | 58,016.42 |
| UP TO DATE INC | 13,539.00 |
| VASCULAR DIAGNOSTICS | 54,250.00 |
| W.L GORE &ASSOCIATES | 8,935.00 |
| WALTER A. MC DERMOTT | 18,226.00 |
| WILSON,ELSER, MOSKOWITZ EDLMAN & DICKER LLP | 69,218.29 |
| WRIGHT MEDICAL TECHNOLOGY | 6,723.00 |
| **Grand Total** | **$10,692,370.91** |

**EXHIBIT B**

**Blackline**

~~Hearing Date and Time: April 9, 2014 at 10:00 a.m. (EST)~~

**THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT AND IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. SUCH ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. FURTHER, WHILE MANY ASPECTS OF THE DEBTOR'S PROPOSED CHAPTER 11 PLAN DESCRIBED HEREIN HAVE BEEN DISCUSSED WITH OTHER PARTIES, NO PARTY HAS YET ENDORSED THAT PLAN.**

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

| ---------------------------------------------------x | |
|---|---|
| In re : | Chapter 11 |
| : | |
| Interfaith Medical Center, Inc.,[1] : | Case No. 12-48226 (CEC) |
| : | |
| Debtor. : | |
| ---------------------------------------------------x | |

**FIRST AMENDED DISCLOSURE STATEMENT FOR THE**
**FIRST AMENDED CHAPTER 11 PLAN OF INTERFAITH MEDICAL CENTER, INC.**

Dated: April ~~8,~~9, 2014

WILLKIE FARR & GALLAGHER LLP
787 Seventh Avenue
New York, New York 10019-6099
(212) 728-8000

Attorneys for Debtor and
Debtor in Possession

[1] The last four digits of the Debtor's federal tax identification number are 6155. The Debtor's mailing address is 1545 Atlantic Avenue, Brooklyn, New York 11213.

# TABLE OF CONTENTS


| | | Page |
|---|---|---|
| ARTICLE I. INTRODUCTION | | 1 |
| 1.1 | IMC's Chapter 11 Case. | 1 |
| 1.2 | Purpose of this Disclosure Statement. | 1 |
| 1.3 | Voting on the Plan. | 1 |
| 1.4 | Classification of Claims. | 3 |
| 1.5 | Plan Confirmation, Acceptance, and Cram Down Option. | 3 |
| 1.6 | The Confirmation Hearing. | 3 |
| 1.7 | Qualifications on Contents of this Disclosure Statement. | 4 |
| 1.8 | Debtor's Recommendation. | 5 |
| 1.9 | Creditors' Committee's Recommendation. | 5 |
| ARTICLE II. SUMMARY OF PLAN, INCLUDING THE PLAN'S CLASSIFICATION AND TREATMENT OF CLAIMS | | 5 |
| ARTICLE III. HISTORICAL BACKGROUND TO THE PLAN | | ~~11~~12 |
| 3.1 | General. | ~~11~~12 |
| 3.2 | Corporate Governance, Senior Management, and Employees. | 12 |
| 3.3 | Related Entities. | ~~12~~13 |
| 3.4 | Accreditations, Affiliations, and Training Programs. | 13 |
| 3.5 | The Debtor's Prepetition Capital Structure. | ~~13~~14 |
| 3.6 | Events Leading to Commencement of IMC's Chapter 11 Case. | ~~16~~17 |
| ARTICLE IV. SIGNIFICANT EVENTS DURING THE DEBTOR'S CHAPTER 11 CASE | | ~~17~~18 |
| 4.1 | Creditors' Committee | ~~17~~18 |
| 4.2 | The Patient Care Ombudsman. | 18 |
| 4.3 | Use of Cash Collateral and the DIP Financing Facility. | ~~18~~19 |
| 4.4 | IMC's Post Petition Restructuring Efforts. | ~~18~~19 |
| 4.5 | Events Leading to Current Chapter 11 Plan. | ~~20~~21 |
| ARTICLE V. SUMMARY OF THE PLAN | | ~~24~~25 |
| 5.1 | Summary of Anticipated Operations After the Effective Date | ~~24~~25 |
| 5.2 | Summary of Distributions Under the Plan. | ~~24~~25 |
| 5.3 | Provisions for Resolution of Medical Malpractice Claims. | ~~33~~35 |
| 5.4 | Proposed I M Foundation Settlement | ~~35~~37 |
| 5.5 | Plan as a Settlement. | ~~36~~38 |
| ARTICLE VI. MEANS OF EXECUTION OF THE PLAN | | ~~37~~39 |
| 6.1 | Corporate Action. | ~~37~~39 |
| 6.2 | Post-Effective Date Board of Trustees. | ~~37~~39 |
| 6.3 | Post-Effective Date Management. | ~~37~~39 |
| 6.4 | The Liquidating Trust and Liquidating Trustee | ~~39~~41 |
| 6.5 | The Disbursement Agent. | ~~40~~42 |
| 6.6 | Sources and Uses of Plan Funding. | ~~40~~42 |
| 6.7 | Use of Restricted Funds. | ~~40~~43 |

6.8 General Claims Distribution Mechanics. ~~40~~43
6.9 Withholding Taxes. ~~41~~44
6.10 Exemption from Certain Transfer Taxes. ~~42~~44
6.11 Setoffs and Recoupments. ~~42~~45
6.12 Insurance Preservation and Proceeds. ~~42~~45
6.13 Discharge. ~~43~~45
6.14 Vesting and Either Retention or Assignment of Causes of Action. ~~44~~46
6.15 Treatment of Certain Indemnification Obligations. ~~44~~47
6.16 Releases, Injunctions, and Related Provisions. ~~45~~47
6.17 Retention of Jurisdiction. ~~48~~51
6.18 Objections to Claims. ~~48~~51
6.19 New Bar Dates for Filing Certain Claims. ~~49~~51
6.20 Late Filed Claims. ~~50~~53
6.21 Amendments to Claims. ~~50~~53
6.22 Estimation of Claims. ~~50~~53
6.23 Executory Contracts and Unexpired Leases. ~~51~~53
6.24 Conditions Precedent to Confirmation and Consummation of the Plan. ~~52~~55
6.25 Termination of the Services of Patient Care Ombudsman. ~~54~~57
6.26 Dissolution of Creditors' Committee ~~54~~57

ARTICLE VII. CONFIRMATION OF THE PLAN ~~54~~57
7.1 Acceptance of the Plan; Cram Down. ~~54~~57
7.2 Confirmation Hearing and Objections. ~~55~~58
7.3 Confirmation. ~~55~~58
7.4 Plan Consummation. ~~58~~61

ARTICLE VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN ~~59~~61
8.1 Alternative Chapter 11 Plan(s). ~~59~~61
8.2 Liquidation Under Chapter 7 of the Bankruptcy Code. ~~59~~62

ARTICLE IX. CERTAIN RISK FACTORS TO BE CONSIDERED ~~59~~62
9.1 Risk of Non-Confirmation of the Plan. ~~59~~62
9.2 Changes, Amendments, Modification, or Withdrawal of the Plan. ~~60~~63
9.3 Failure to Consummate the Plan. ~~60~~63
9.4 Alternative Chapter 11 Plans May Be Proposed. ~~61~~63

ARTICLE X. CONCLUSION ~~62~~64

**EXHIBITS**

1) Plan

2) Assumptions to Pro Forma Balance Sheet and Financial Projections

3) Pro Forma Balance Sheet for the Reorganized Debtor

4) Sources and Uses of Cash Required for Plan Consummation

5) Financial Projections for the Reorganized Debtor Assuming a May 2014 Plan Effective Date

6) Liquidation Analysis

7) Nonexclusive List of Potential Avoidance Actions

NOTE: A copy of the Debtor's Audited Consolidated Financial Statements for the Debtor for the fiscal year ended December 31, 2012 may be accessed free of charge from the following website: www.donlinrecano.com/interfaithmedical.

# ARTICLE I.

## INTRODUCTION

### 1.1 *IMC's Chapter 11 Case.*

On December 2, 2012 (the "**Petition Date**"), Interfaith Medical Center, Inc. ("**IMC**" or the "**Debtor**") filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of New York (the "**Bankruptcy Court**") commencing a case under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). Chapter 11 provides the means for a financially distressed entity to restructure its debts and reorganize. A debtor exits chapter 11 when a bankruptcy court approves a chapter 11 plan for the debtor. Such a plan provides for how the debtor's business will be restructured and/or liquidated and how the resulting value will be allocated among the debtor's creditors and other constituencies.

### 1.2 *Purpose of this Disclosure Statement.*

This Disclosure Statement is distributed in connection with the solicitation of votes on IMC's chapter 11 Plan, a copy of which is attached as Exhibit 1. Each capitalized term in this Disclosure Statement not otherwise defined has the meaning given to it in the Plan.

[The Bankruptcy Court has entered an order approving this Disclosure Statement as containing adequate information to enable holders of Claims against the Debtor entitled to vote on the Plan to make an informed decision respecting acceptance or rejection of the Debtor's Plan.] **THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT AS CONTAINING SUCH ADEQUATE INFORMATION DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY COURT AS TO ACCEPTANCE OR REJECTION OF THE PLAN OR ASSURE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.**

Additional copies of this Disclosure Statement (including its Exhibits) are available upon request made to the office of the Debtor's attorneys, Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, Attention: Katherine Fite, (212) 728-8000 (phone) or (212) 728-8111 (facsimile). A copy of this Disclosure Statement (including its Exhibits) also can be accessed free of charge from the following website: www.donlinrecano.com/interfaithmedical.

### 1.3 *Voting on the Plan.*

Together with this Disclosure Statement, ballots are being delivered to holders of Claims in each Class of Claims entitled to vote on the Plan. **Generally, holders of Impaired Claims (i.e., Claims for which payment in full is not provided for under the Plan) are entitled to vote on the Plan except that holders of Claims for which there will be no Plan distribution are deemed to have rejected the Plan**. A Claim to which an objection has been filed and remains unresolved is a Disputed Claim. A Holder of a Disputed Claim is not entitled to vote unless the Bankruptcy Court temporarily allows such Disputed Claim for the purpose of

voting on the Plan. To ascertain whether or not your Claim is in a Class entitled to vote, please consult section 1.4 of this Disclosure Statement.

The Bankruptcy Court has directed that for a Ballot to be counted for voting on the Plan, such Ballot must be received not later than [**5:00 P.M.**] **(prevailing Eastern Time) on** [__________],**May 5, 2014** (the "**Voting Deadline**") at the following address:

If delivered by first-class U.S. mail:<br>
Donlin, Recano & Company, Inc.<br>
Re: Interfaith Medical Center, Inc.<br>
P.O. Box 2070<br>
Murray Hill Station<br>
New York, NY 10156

If delivered by overnight mail or hand delivery:<br>
Donlin, Recano & Company, Inc.<br>
Re: Interfaith Medical Center, Inc.<br>
419 Park Avenue South, Suite 1206<br>
New York, NY 10016

THUS, TO BE COUNTED, YOUR ORIGINAL BALLOT ACCEPTING OR REJECTING THE PLAN MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN THE VOTING DEADLINE, UNLESS SUCH DEADLINE IS EXTENDED BY THE DEBTOR. YOUR BALLOT MAY BE SENT VIA FIRST CLASS MAIL, OVERNIGHT COURIER, OR MESSENGER. ALL BALLOTS MUST BE SIGNED.

Ballots have been specifically designed for soliciting votes from the Classes entitled to vote on the Plan. Accordingly, in voting on the Plan, please use only a Ballot sent with this Disclosure Statement or provided by the Voting Agent.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, or lost your Ballot, or if you have any questions concerning voting procedures, please contact the Voting Agent at (212) 771-1128, via e-mail to noticingdept@donlinrecano.com, or by sending a written inquiry to the same address listed above for sending Ballots.

Before voting, each holder of a Claim entitled to vote on the Plan should read the pertinent portion(s) of this Disclosure Statement and its Exhibits, including the Plan, as well as the instructions accompanying the Ballot. This Disclosure Statement and the accompanying Notice and Ballot are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes to accept or reject the Plan. No statement or information concerning the Plan has been authorized to be circulated other than the statements and information contained in this Disclosure Statement.

**Your vote on the Plan is important.** Under the Bankruptcy Code, satisfaction of the requisite voting percentages is based on those Allowed Claims actually voted, not those Allowed Claims outstanding.

**1.4 *Classification of Claims.***

The following table designates the Classes of Claims against the Debtor, specifies which Classes are impaired or unimpaired by the Plan, and for impaired Classes specifies whether they are: (a) entitled to vote to accept or reject the Plan; or (b) deemed to reject the Plan.

| Class | Designation | Impairment | Entitled to Vote |
|---|---|---|---|
| Class 1 | Priority Claims | No | No (Deemed to accept) |
| Class 2 | Priority Tax Claims | No | No (Deemed to accept) |
| Class 3 | Other Secured Claims | No | No (Deemed to accept) |
| Class 4 | DASNY Claims | Yes | Yes |
| Class 5 | East Building Claims | Yes | Yes |
| Class 6 | General Unsecured Claims | Yes | Yes |
| Class 7 | Existing Equity Interests (if any) | Yes | No (Deemed to reject) |

**1.5 *Plan Confirmation, Acceptance, and Cram Down Option.***

Except as otherwise set forth below, for the Plan to be confirmed (i.e., approved by the Bankruptcy Court), it must be accepted by each class of Claims whose rights are impaired by the Plan. Under the Bankruptcy Code, a class of Claims is deemed to have accepted the Plan if the Plan is timely accepted by creditors in such Class holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that were timely voted.

Even, however, if the requisite acceptance of the Plan by any impaired class is not obtained through such voting, the Bankruptcy Court still may confirm the Plan in limited circumstances. If a Class of Claims rejects the Plan, then the Debtor reserves the right to amend the Plan and/or to request confirmation of the Plan pursuant to section 1129(b). Section 1129(b) would permit Plan confirmation so long as at least one impaired Class of Claims votes to accept the Plan and the Plan does not "discriminate unfairly" and is "fair and equitable" respecting each non-accepting Class. Such a nonconsensual approval of a chapter 11 plan is known as a "cram down".

**1.6 *The Confirmation Hearing.***

The Bankruptcy Court has fixed ~~[________], 2014 at [___] [_].m.~~**May 12, 2014, at 11:00 a.m. (prevailing Eastern Time)** in Court Room 3529 at the Bankruptcy Court, 271 Cadman Plaza East, Brooklyn, NY 11201, as the date, time, and place for the confirmation hearing on the Plan (the "**Confirmation Hearing**"). Any objection to confirmation must be in writing and must be filed and served on the Debtor's attorneys, Willkie Farr & Gallagher, LLP, 787 Seventh Avenue, New York, New York 10019, Attention: Alan J. Lipkin, Esq. and Shaunna D. Jones, Esq., (212) 728-8000 (phone) or (212) 728-8111 (facsimile), with copies to: (a) counsel to the Creditors' Committee, Alston & Bird LLP, Attn:, 90 Park Avenue, New York, New York 10016, Attention: Martin G. Bunin, Esq. and Craig E. Freeman, Esq., (212) 210-9400 (phone); (b) counsel to DASNY, Winston & Strawn LLP, Attn: David Neier, Esq., 200 Park Avenue, New York, New York 10166, (212) 294-6700 (phone) or (212) 294-4700 (facsimile); (c) counsel to the Department of Health, Attn: Joshua Pepper and Enid Stuart, Assistant

Attorneys General, 120 Broadway – 24th Floor, New York, New York 10271, (212) 416-8666 (phone); and (d) the United States Trustee for the Eastern District of New York, Attn: William E. Curtin, 201 Varick Street, Suite 1006, New York, New York, 11201 so that such objections are received by [______], 2014**May 5, 2014, at 4:00 p.m. (prevailing Eastern Time)** (the "**Confirmation Objection Deadline**"), in accordance with the procedure described in the Confirmation Hearing notice accompanying this Disclosure Statement.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Bankruptcy Code's requirements for Plan confirmation have been satisfied. The Debtor believes the Plan satisfies all such applicable requirements.

**1.7** ***Qualifications on Contents of this Disclosure Statement.***

**OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT, NO REPRESENTATION CONCERNING THE DEBTOR, ITS BUSINESS OPERATIONS, THE VALUE OF ITS ASSETS, OR THE PLAN HAS BEEN AUTHORIZED OR SHOULD BE RELIED UPON BY ANY HOLDER OF A CLAIM. UNAUTHORIZED INFORMATION, REPRESENTATIONS, OR INDUCEMENTS REGARDING SUCH MATTERS SHOULD BE REPORTED TO THE DEBTOR OR ITS COUNSEL, WHO WILL PROVIDE SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS THE BANKRUPTCY COURT DEEMS APPROPRIATE.**

**THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN OTHER DOCUMENTS, AND CERTAIN FINANCIAL INFORMATION CONCERNING THE DEBTOR. WHILE THE DEBTOR BELIEVES THESE SUMMARIES ARE FAIR AND ACCURATE IN ALL MATERIAL RESPECTS AND PROVIDE ADEQUATE INFORMATION RESPECTING THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENT. FURTHER, THE FINANCIAL INFORMATION CONTAINED OR INCORPORATED BY REFERENCE HEREIN HAS NOT BEEN SUBJECT TO AN AUDIT. NONETHELESS, THE DEBTOR HAS SOUGHT TO ENSURE SUCH INFORMATION IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT BELIEVE SUCH INFORMATION CONTAINS ANY MATERIAL INACCURACIES.**

**THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, INCLUDING THE PLAN, MAY NOT BE RELIED UPON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING WHETHER TO ACCEPT OR REJECT THE PLAN.**

This Disclosure Statement contains projected financial information and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects, and results might vary significantly from those included in or contemplated by such projected financial information and such other forward-looking

statements. The projected financial information contained in this Disclosure Statement and its Exhibits is, therefore, not necessarily indicative of the future financial condition or results of operations of the Reorganized Debtor, which in each case might vary significantly from those set forth in such projections. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by the Debtor, its advisors, or any other person that the projected financial conditions, distributions, or results of operations can or will be achieved.

### 1.8 *Debtor's Recommendation.*

The Debtor believes the Plan would maximize returns to IMC's creditors and maximize the provision of health care services to, as well as the preservation and creation of health care jobs in, IMC's community. Accordingly, the Debtor strongly recommends acceptance of the Plan and support of its confirmation. Further, the Debtor notes that acceptance of the Plan by holders of General Unsecured Claims in Class 6 would benefit such holders as then: (a) DASNY would waive any Distribution in its Allowed Class 6 Claim of not less than $100 million; and (b) all funds available for Distributions from the Liquidating Trust would go to Allowed Claims in Class 6 and would not be available for any potential shortfall in funding available or reserved for the payment of Allowed Administrative Claims and Allowed Claims in Classes 1, 2, and 3.

### 1.9 *Creditors' Committee's Recommendation.*

The Official Committee of Unsecured Creditors (the "**Creditors' Committee**") believes the Plan would result in little or no payment to the Debtor's general unsecured creditors on account of their claims. As a result, the Creditors' Committee strongly recommends the rejection of the Plan and opposition to its confirmation. The Creditors' Committee's position is that the Bankruptcy Court cannot confirm the Plan, among other reasons, because the proposed treatment of the DASNY Claims is inappropriate, as a matter of law (see section 5.2(b)(4)(c) of this Disclosure Statement).

## ARTICLE II.

## SUMMARY OF PLAN, INCLUDING THE PLAN'S CLASSIFICATION AND TREATMENT OF CLAIMS

The Plan is the result of negotiations by and among the Debtor, DASNY, DOH, and certain other significant creditors and parties in interest. The Plan contemplates satisfaction of the DASNY Claims through transfer to DASNY's designee of certain real property and real property leases (which assets primarily will be leased to the Reorganized Debtor) and retention by the Reorganized Debtor of the Debtor's operating assets and certain real property leases, which the Reorganized Debtor then will use to provide healthcare services in the Debtor's community. The Plan also contemplates the formation of a liquidating trust as of the Effective Date, which shall receive, liquidate, and distribute the net proceeds of certain assets of the Debtor to holders of Allowed Class 6 Claims.

Generally, the Plan provides for the following classification and/or treatment of Claims:

- Unclassified Claims - All Allowed Administrative Claims will not be classified and will be satisfied in full and shall receive Cash equal to the Allowed amount of such Claim from funding approved by the Bankruptcy Court as being sufficient.

- Class 1 – All holders of Allowed Priority Claims will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code from funding approved by the Bankruptcy Court as being sufficient.

- Class 2 – All holders of Allowed Priority Tax Claims will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code from funding approved by the Bankruptcy Court as being sufficient.

- Class 3 –Each holder of an Allowed Other Secured Claim (i.e., a non-DASNY secured Claim) will receive, at the Debtor's option, either the collateral securing such Allowed Claim or payment of the full amount of such Allowed Claim.

- Class 4 - The DASNY Claims will be satisfied in full by the conveyance to DASNY's designee or the Reorganized Debtor (with DASNY~~ or DASNY's designee~~ determining in its sole discretion which assets shall be retained by the Reorganized Debtor and which assets shall be conveyed free and clear of any liens, claims, charges, pledges, encumbrances, and/or interests of any kind to DASNY's designee) of all assets of the Debtor (except for those assets DASNY~~'s designee~~ determines are to be conveyed to the Liquidating Trust or abandoned) including, without limitation: (a) all real property; (b) all real property leases and other executory contracts; (c) all inventory, furniture, fixtures, and equipment; (d) all accounts receivable for Hospital services; (e) any grants or other funding due to the Debtor; (f) all of the Debtor's medical records; provided, however, the Liquidating Trust shall continue to have reasonable access to such records as needed; (g) all Healthfirst equity interests; (h) all funds set aside by the Debtor for the payment of Allowed Postpetition Medical Malpractice Claims; (i) all funds to be deposited in the Covered Persons Fund; and (j) all funds provided to the Debtor pursuant to the DIP Facility (collectively, the "**Hospital Assets**"); provided, however, any Medicare provider agreements shall not be assigned to DASNY's designee, but rather, if possible, and subject to arrangements satisfactory to DASNY, shall be assumed and retained by the Reorganized Debtor. DASNY also shall receive releases provided for in the Plan.

- Class 5 – The East Building Claims will be satisfied as follows:

- If 1545 Atlantic votes to accept the Plan, then upon the Confirmation Date, but subject to the occurrence of the Effective Date, the two agreements, dated May 17, 2004, between the Debtor and 1545 Atlantic denominated a "Development Lease" and an "Occupancy Lease" shall be recharacterized as a single financing agreement for an unsecured loan from 1545 Atlantic to the Debtor, with the Debtor then having title to the related land and improvements known as the "East Building," free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY. In full satisfaction of any Claims of 1545 Atlantic based on those recharacterized agreements, 1545 Atlantic shall receive or retain: (a) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (b) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (c) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (d) $25,000 per month from Debtor or DASNY's designee (as applicable) for the period April 1, 2014 through March 31, 2015; and (e) an Allowed General Unsecured Claim in Class 6 of $5,000,000; or

- If 1545 Atlantic rejects the Plan, then: (a) 1545 Atlantic's leases shall be either: (i) recharacterized as a disguised financing pursuant to the Plan or, if necessary, pursuant to an adversary proceeding in the Bankruptcy Court; or (ii) rejected pursuant to the Plan and section 365, and notwithstanding section 365(h), the East Building shall be assigned by the Debtor pursuant to section 363(b) and the Plan to DASNY's designee free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY. In either case, 1545 Atlantic then shall receive or retain: (v) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (w) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic (x) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (y) payments in amounts and at times determined by the Bankruptcy Court to be payable to 1545 Atlantic as adequate protection for any leasehold interest or respecting its rights under its subordination agreement with DASNY; and (z) an allowed General Unsecured Claim in Class 6 in an amount to be determined by the Bankruptcy Court.

- Class 6 – Each holder of an Allowed General Unsecured Claim will receive rights to a Pro Rata Distribution from the Liquidating Trust. Each holder of an Allowed Prepetition Medical Malpractice Claim shall be

treated as a holder of an Allowed General Unsecured Claim. Certain holders of Allowed Prepetition Medical Malpractice Claims who also hold related claims against Covered Persons (which shall not include the Debtor) also shall receive a Pro Rata share of the Covered Persons Fund, (i.e., a separate fund to be comprised of consideration contributed by or on behalf of Covered Persons (i.e., the Debtor's medical staff). All such funding shall be approved by the Bankruptcy Court as being sufficient for the relief granted under the Plan.

- Class 7 – Holders of existing equity interests will not receive or retain any Distribution under the Plan.

The following table summarizes the Plan's classification and treatment of certain Claims, with such summary qualified in its entirety by the description of the treatment of such Claims in Articles IV and V of the Plan. Administrative Claims and U.S. Trustee Fees are not classified under the Plan.

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| Class 1 | Priority Claims | On the Distribution Date, each holder of an Allowed Priority Claim will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code. | Unimpaired | No, deemed to accept | $1,900,000 – 3,300,000 | 100% |
| Class 2 | Priority Tax Claims | On the Distribution Date, each holder of an Allowed Priority Tax Claim will be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code. | Unimpaired | No, deemed to accept | $66,000-$600,000 | 100% |
| Class 3 | Other Secured Claims | Each holder of an Allowed Other Secured Claims will receive, at the option of DASNY, | Unimpaired | No, deemed to accept | $630,000 -$700,000 | 100% |

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| | | DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable), either the collateral securing such Allowed Claim or payment of the full amount of such Allowed Claim. To the extent that the value of the collateral securing each Allowed Other Secured Claim is less than the amount of such Allowed Other Secured Claim, the unsecured portion of each such Claim shall be treated and classified as a Class 6 Claim under the Plan. | | | | |
| Class 4 | DASNY Claims | Allowed DASNY Claims will be satisfied by the transfer or control over disposition of the Hospital Assets; provided, however, that DASNY's General Unsecured Claims receive treatment in Class 6. | Impaired | Yes, entitled to vote | ~~Not less than $45,100,000~~TBD | Less Than 50% in the Aggregate |
| Class 5 | East Building Claims | The East Building Claims will be satisfied as follows: (a) if 1545 Atlantic votes to accept the Plan, 1545 Atlantic will receive or retain (i) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (ii) | Impaired | Yes, entitled to vote | $0 – $7,000,000 | TBD |

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| | | the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (iii) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (iv) $25,000 per month from Debtor or DASNY's designee (as applicable) for the period April 1, 2014 through March 31, 2015; and (v) an Allowed General Unsecured Claim in Class 6 of $5,000,000; or (b) if 1545 Atlantic votes to reject the Plan, 1545 Atlantic shall receive or retain: (i) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (ii) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (iii) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (iv) payments in amounts and at times | | | | |

| Class | Claims | Treatment | Status | Voting Rights | Estimated Aggregate Allowed Amount | Projected Recovery |
|---|---|---|---|---|---|---|
| | | determined by the Bankruptcy Court to be payable to 1545 Atlantic as adequate protection for any leasehold interest or respecting its rights under its subordination agreement with DASNY; and (v) an allowed General Unsecured Claim in Class 6 in an amount to be determined by the Bankruptcy Court. | | | | |
| Class 6 | General Unsecured Claims | Each holder of an Allowed General Unsecured Claim will receive its Pro Rata share of distributions from the Liquidating Trust. | Impaired | Yes, entitled to vote | $275,000,000-$380,000,000[2] | TBD |
| Class 7 | Existing Equity Interests | Existing equity interests shall not receive or retain any distribution. | Impaired | No, deemed to reject | N/A | $0 |

The recoveries set forth above are estimates and are contingent upon multiple factors, including approval of the Plan as proposed.

[2] These amounts include an estimated $100,000,000 General Unsecured Claim of DASNY that will be waived if Class 6 accepts the Plan.

# ARTICLE III.

## HISTORICAL BACKGROUND TO THE PLAN

### 3.1 *General.*

IMC was created in 1983 through the combination of St. John's Episcopal Medical Center in the Bedford-Stuyvesant section of central Brooklyn and Jewish Medical Center of Brooklyn in the Crown Heights section of central Brooklyn. IMC inherited substantial legacy debt in connection with that merger.

The Debtor now operates a multi-site health care system that provides medical, surgical, pediatric, dental, psychiatric, and other health care services in central Brooklyn. The Debtor's facilities consist of a 287-bed acute care teaching hospital on Atlantic Avenue in Bedford-Stuyvesant, Brooklyn, 8 behavioral health outpatient services, and an ambulatory care network of 3 clinics located in the central Brooklyn communities of Crown Heights and Bedford-Stuyvesant. The communities in IMC's primary service area include a high proportion of indigent people and a substantial population in need of care for substance abuse, mental illness, and AIDS. Many in IMC's community lack ambulatory alternatives to inpatient care.

### 3.2 *Corporate Governance, Senior Management, and Employees.*

IMC's primary purpose is to maintain and operate a voluntary, not-for-profit hospital and provide health-related services in central Brooklyn, pursuant to Article 28 of the Public Health Law and the Mental Hygiene Law of the State of New York. IMC is presently governed by a five-member Board of Trustees. IMC is a New York not-for-profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As of the Petition Date, IMC employed approximately 1,639 full-time, part-time, and *per diem* employees, many of whom are represented by various labor unions.

Prepetition, IMC was managed by senior personnel provided by Kurron Shares of America, Inc. ("**Kurron**") pursuant to successive management agreements. Postpetition those personnel remained in place. On January 25, 2013, the Bankruptcy Court retroactively approved IMC's retention of Kurron as the Debtor's manager and certain Kurron personnel as the Debtor's senior management, including the Debtor's Chief Restructuring Officer. Ultimately, DOH did not approve Kurron's last contract.

Subsequently, the Fourth Interim Cash Collateral Order [Docket No. 344] and a memorandum of understanding between the Debtor and The Brooklyn Hospital Center [Docket No. 348] each effectively required the Debtor to retain a new Chief Restructuring Officer. The Debtor then replaced its Chief Restructuring Officer provided by Kurron with John D. Leech and retained Gordian-Dynamis Solutions LLC as Restructuring Consultant pursuant to an order, dated April 5, 2013 [Docket No. 387]. Also, the remaining members of the Debtor's senior management team that had been provided by Kurron, then were hired directly by the Debtor as its President and CEO, COO, and CFO. Subsequently, that COO and CEO each left IMC.

Effective March ~~27,~~26, 2014, Mr. Leech was replaced as CRO by Melanie Cyganowski. Ms. Cyganowski' s responsibilities focus on guiding IMC through its restructuring, such as through obtaining financing, generating the Work Plan for IMC's operations after the Effective Date, and interacting with DOH and DASNY as well as IMC's unions, employees, doctors, and community representatives. On that same date, IMC retained Steven R. Korf (through ToneyKorf Partners, LLC) as IMC's CEO to have direct operational responsibility over and to assist in restructuring operations at IMC's Hospital and Clinics.

### 3.3 *Related Entities.*

Interfaith Emergency Medicine, P.C., Interfaith Professional Physician Services, P.C., and Interfaith Psychiatry Services, P.C. (collectively, the "**PCs**") were created to provide health care services to IMC's patients. The PCs are operated pursuant to a management agreement between each PC and IMC, which each provide for the remittance of all profits earned by the PCs back to IMC. The PCs are not owned by IMC and each PC is wholly-owned by an individual related to IMC. The PCs are not debtors.

The I M Foundation, Inc. (the "**I M Foundation**") is a non-profit organization that, inter alia, supports the charitable, educational, and scientific purposes of IMC and other activities in IMC's community. The I M Foundation is not a debtor. A proposed settlement between the I M Foundation and IMC is incorporated in the Plan and summarized in section 5.4.

### 3.4 *Accreditations, Affiliations, and Training Programs.*

IMC is licensed or accredited by various governmental agencies and other organizations, including the United States Department of Health and Human Services, New York State Department of Health ("**DOH**"), and New York State Office of Mental Health. In March, 2014, IMC was reaccredited by the nationally recognized Joint Commission (as agent for CMS).

IMC is a teaching institution that sponsors residency training programs in medicine, ophthalmology, dentistry, podiatry, and psychiatry, and fellowship training in pulmonary diseases, gastroenterology, and cardiology. The teaching programs are an important aspect of IMC's mission and enhance IMC's ability to provide high-quality health care services to the medically underserved residents of the central Brooklyn community.

### 3.5 *The Debtor's Prepetition Capital Structure.*

#### (a) DASNY Loans and Collateral.

##### (i) Prepetition Loans

Prior to the Petition Date, DASNY made loans and extended other financial accommodations to IMC. As described in detail below, as of the Petition Date, the Debtor's total indebtedness to DASNY was approximately $131,494,051.55.

In February 1998, DASNY first issued its secured hospital revenue bonds relating to the Debtor (the "**1998 Bonds**") and loaned the proceeds to the Debtor to be used to fund construction projects and to satisfy other obligations. Thereafter, in connection with a Loan

Agreement between DASNY and IMC, dated as of January 24, 2007 (as amended, restated, supplemented or otherwise modified from time to time, and together with all agreements, documents, notes and instruments in respect thereof, the "**Prepetition Loan Agreement**"), DASNY issued its Secured Hospital Revenue Refunding Bonds, Interfaith Medical Center, Series 2007 (the "**Series 2007 Bonds**") in the aggregate principal amount of $122,475,000. The proceeds from the Series 2007 Bonds were loaned by DASNY to the Debtor pursuant to the Prepetition Loan Agreement. The Debtor used these loan proceeds to make payments to DASNY for refunding the 1998 Bonds and to fund certain reserves. IMC's payments under the Prepetition Loan Agreement are to be used to make principal and interest payments on the Series 2007 Bonds.

Pursuant to a Reimbursement Agreement between DASNY and IMC, dated as of November 21, 2011 (as amended, restated, supplemented or otherwise modified from time to time, and together with all agreements, documents, notes and instruments in respect thereof, the "**Pool Loan Agreement**"), DASNY loaned the Debtor $2,000,000 to fund working capital. That loan matured on January 1, 2013.

As of the Petition Date, the aggregate principal amount outstanding under the Prepetition Loan Agreement was not less than $117,312,276.30 and the aggregate principal amount outstanding under the Pool Loan Agreement was not less than $2,000,000.00, for a total of not less than $119,312,276.30 in respect of IMC's prepetition secured obligations to DASNY (the "**Prepetition Loan Obligations**").[3]

In addition, DASNY made an unsecured, interest-free loan to IMC in the amount of $15,122,204 (the "**Fund B Loan**"), pursuant to that certain Reimbursement Agreement between DASNY and IMC, dated as of March 29, 2005 (as amended on June 14, 2011, and as further amended, restated, supplemented or otherwise modified from time to time, and together with all agreements, documents, notes and instruments in respect thereof, the "**Fund B Loan Agreement**", and together with the Prepetition Loan Agreement, and the Pool Loan Agreement, the "**Prepetition Loan Documents**" and the obligations thereunder, the "**Prepetition Obligations**"). IMC was to use the proceeds from the Fund B Loan to satisfy certain amounts due to the DOH in connection with prior DOH distributions from certain bad debt and charity care funding pools. Pursuant to the Fund B Loan Agreement, the Debtor commenced repayment of the Fund B Loan in May 2008. On June 14, 2011, DASNY and the Debtor amended the Fund B Loan Agreement to, among other things, extend the final payment date of the Fund B Loan to April 1, 2024, and defer the twelve monthly installments originally payable April 1, 2011 through March 1, 2012. As of the Petition Date, the aggregate principal amount outstanding under the Fund B Loan was approximately $12,181,775.25.

(ii) Prepetition Collateral Grants

To secure IMC's obligations under the Prepetition Loan Agreement, IMC granted DASNY a lien on and security interest in the Debtor's gross receipts (including receipts, revenues, income and other moneys received by the Debtor or derived from the operation of the

[3] There was a debt reserve fund that contained approximately $6,634,955 held by the Indenture Trustee for the Series 2007 Bonds. That reserve was used by the Indenture Trustee until it was exhausted to pay bondholders their regularly scheduled payments after IMC ceased making payments respecting the Series 2007 Bonds.

Debtor's facilities, except for restricted contributions, grants, gifts and bequests) and a first lien mortgage on, among other things, certain of the Debtor's real property located in Kings County, New York, NY (the "**Mortgaged Property**"), the Debtor's interest in various easements, licenses, permits, and rights related to the Mortgaged Property, the Debtor's equipment and personal property located on the Mortgaged Property, and proceeds of the foregoing (collectively, the "**Prepetition Loan Collateral**"). To secure the Debtor's obligations under the Pool Loan Agreement, DASNY was granted a security interest in certain State funds allocated to the Debtor from funding pools for bad debt and charity care (collectively, with the Prepetition Loan Collateral, the "**Prepetition Collateral**"). The Debtor is obligated to cause DOH to pay those funds directly to DASNY.

(b) **East Building.**

On May 17, 2004, IMC and 1545 Atlantic simultaneously entered into two agreements, a development agreement (the "**Development Agreement**") and an occupancy agreement (the "**Occupancy Agreement**"), respecting certain land adjacent to IMC's hospital and a building to be built thereon (the "**East Building**"). Under the Development Agreement, IMC gave 1545 Atlantic the right to build the East Building on IMC's land according to specifications approved by IMC, and the right to use both the land and the East Building for a specified period. In exchange, 1545 Atlantic was obligated to pay IMC $1 per year. The Occupancy Agreement provides for IMC to use the East Building for 29 years in exchange for IMC paying 1545 Atlantic in excess of $1 million per year plus all costs and expenses incidental to ownership of the Premises. Then the two "leases" would expire and IMC would continue to own both the East Building and the underlying land.

Meanwhile, pursuant to a subordination agreement, dated January 20, 2005, among DASNY, IMC, and 1545 Atlantic:

1. DASNY's mortgage and liens were extended to, among other things, the East Building site and to the East Building itself.

2. DASNY's rights as mortgagee of IMC's real property were subordinated to 1545 Atlantic's Development Lease solely respecting the site of the East Building.

Eventually, 1545 Atlantic built the East Building at a cost 1545 Atlantic asserts approximates $15 million and the Debtor asserts was less than $9 million. The East Building is connected to IMC's hospital on each floor and is totally dependent on the hospital for basic services such as heat and air conditioning. The East Building contains IMC administrative and doctor's offices.

Prepetition, under the Development Lease, IMC paid 1545 Atlantic over $4 million plus a "security deposit" of $500,000. Postpetition, IMC paid 1545 Atlantic $300,000 through March 31, 2014.

IMC believes that in combination, the Occupancy Lease and Development Lease were a disguised loan to finance 1545 Atlantic's construction of the East Building. See Debtor's

Reply [Docket No. 312]. 1545 Atlantic's unsecured Claim is junior to DASNY's Claims, except perhaps to the extent of the value of the real property underneath the East Building, which real property is worth approximately $2 million. 1545 Atlantic asserts that its tenancy rights under the Development Lease are senior to DASNY's mortgage, but even were that true, 1545 Atlantic's assertion appears to depend on whether the Development Lease is a true lease and, even if it were a true lease, whether IMC may reject that lease and terminate 1545 Atlantic's tenancy rights. To date, IMC has paid 1545 Atlantic over $4 million prepetition, $500,000 for a "security deposit", and $300,000 post petition. Due to such payments, either 1545 Atlantic has no remaining "senior" claim under DASNY's subordination agreement or, at most, 1545 Atlantic has a "senior" claim of less than $2 million after application of IMC's postpetition payments of $300,000 and the security deposit. IMC also believes that if the Development Lease were a true lease, then IMC could reject the Development Lease and assign the East Building to DASNY's designee free of any continuing interest of 1545 Atlantic pursuant to section 363(f) of the Bankruptcy Code.

IMC has sought to settle 1545 Atlantic's Claims. A proposed settlement is incorporated into the Plan. Alternatively, if 1545 Atlantic does not accept the proposed settlement, then its Claims will be litigated. The details of those two alternatives are described in Section 5.5 of the Plan and section 5.2(b)(5) of this Disclosure Statement.

(c) **Other Significant Prepetition Obligations.**

Prepetition, IMC settled various medical malpractice actions on bases requiring scheduled payments over multiple years. As of the Petition Date, an aggregate of approximately $22.5 million (payable over extended time periods) was outstanding on such settlements. As of the Petition Date, approximately $6,159,374.88 was held in escrow accounts to satisfy certain of such settled liabilities.[4] In addition, prepetition medical malpractice claim judgments against IMC in the amount of approximately $9 million were not subject to a settlement agreement as of the Petition Date. Further, at that time, a number of medical malpractice actions were pending against IMC. Collectively, IMC's Prepetition Medical Malpractice Plan obligations (including potential obligations on medical malpractice actions not yet settled or the subject of judgments) approximates $35,000,000, net of amounts held in escrow accounts for certain of the settled Claims. IMC was self-insured for all such liabilities.

### 3.6 *Events Leading to Commencement of IMC's Chapter 11 Case.*

(a) **Reductions in Medicaid Reimbursement and Other Operational Financial Issues Faced By IMC.**

IMC has operated and continues to operate in an increasingly challenging environment. In the central Brooklyn communities in which IMC is located, approximately 31% of residents live below the poverty line and approximately 65% receive Medicaid, the government health insurance program for the needy. As Medicaid eligibility has expanded for such individuals, Medicaid reimbursement rates for hospitals such as IMC repeatedly have been cut, including cuts of approximately 40% over the two years preceding IMC's Petition Date.

[4] The amounts remaining in such escrow accounts will be distributed to the applicable Claim holders in accordance with such escrow agreements except to the extent subject to recovery by IMC as preferential transfers.

Also, approximately 33% of IMC's adult patients are uninsured, particularly those who are illegal immigrants. Meanwhile, the costs of providing medical care by IMC and other hospitals continue to increase.

Prepetition, IMC made great strides to address these operational and financial challenges as well as to deal with the substantial long term legacy debt incurred years ago. For example, from 2010 to 2012, IMC cut approximately $30 million of annual expenses. Nevertheless, while IMC approached a breakeven level on operational revenue and expenses, Medicaid and other reimbursement cuts made it impossible for the Debtor to fully address its legacy debt service and other financial obligations.

(b) **Medical Malpractice Obligations.**

Also, past medical malpractice claims remained a significant concern, particularly as IMC is self-insured for such liabilities. As of the Petition Date, there were unsatisfied judgments aggregating approximately $9 million outstanding against the Debtor, including a $7 million jury verdict entered against IMC on July 20, 2012, in a medical malpractice action in Kings County, New York. Thus, IMC was very concerned about certain creditors seizing IMC's bank accounts that were essential to IMC's operations. IMC also had obligations under settled malpractice actions that are payable over time, of which approximately $22.5 million was outstanding as of the Petition Date. While most of such medical malpractice Claims relate to obstetrics and gynecology services no longer provided by IMC as of the Petition Date, the related financial obligations presented a substantial economic burden on IMC.

(c) **IMC's Prepetition Efforts to Partner with One or More Other Hospitals.**

Prior to and during 2012, in addition to addressing its internal financial and operational issues to the extent possible, an additional strategy pursued by IMC was to seek a new business relationship with one or more other hospitals. In that regard, IMC contacted several other hospitals in Brooklyn. As a result, in February 2012, IMC and The Brooklyn Hospital Center ("**TBHC**") developed and submitted an application for a HEAL 21 grant in order to fund the development and implementation of a cohesive health system for North/Central Brooklyn. That grant was received and used by TBHC to have a study done.

Subsequently, during July of 2012, IMC and TBHC reached an agreement in principle regarding the terms of a business combination. Thereafter, DOH rejected that arrangement and required a much more active managerial role by TBHC than was contemplated by the parties' agreement in principle. Discussions between IMC and TBHC resumed, but no new agreement in principle between TBHC and IMC was reached prior to IMC's chapter 11 filing on December 2, 2012.

# ARTICLE IV.

## SIGNIFICANT EVENTS DURING THE DEBTOR'S CHAPTER 11 CASE

### 4.1 *Creditors' Committee*

On December 13, 2012, the U.S. Trustee appointed the following unsecured creditors to IMC's Official Committee of Unsecured Creditors (the "**Creditors' Committee**"), which represents the interests of IMC's unsecured creditors in this case: (a) Medline Industries, Inc.; (b) 1199 SEIU National Benefit Fund and 1199 SEIU Healthcare Industry Pension Fund; (c) Health Services Retirement Plan; (d) New York State Nurses Association; (e) Sodexo Operations, LLC; (f) Tia and Lennard Samuel (f/k/a Burnett), infants by their mother and natural guardian, Jasmine Samuel (f/k/a Burnett); and (g) Ellen L. Flowers, Esq., as special guardian of Drita Manuka. On February 13, 2013, the Bankruptcy Court entered orders authorizing the Creditors' Committee's retention of Alston & Bird LLP, as counsel, and CBIZ Accounting, Tax & Advisory of New York, LLC, as financial advisors.

### 4.2 *The Patient Care Ombudsman.*

On January 10, 2013, the U.S. Trustee appointed Eric M. Huebscher to serve as the patient care Ombudsman required by 11 U.S.C. 333(a)(1) to monitor the Debtor's quality of patient care and to represent the interests of the Debtor's patients. To date, the Ombudsman has filed seven reports with the Bankruptcy Court.

### 4.3 *Use of Cash Collateral and the DIP Financing Facility.*

(a) **Cash Collateral.**

In connection with the commencement of IMC's Chapter 11 Case and monthly thereafter, DASNY and the Debtor agreed on eight cash collateral orders for the Debtor's consensual use of DASNY's cash collateral (i.e., IMC's cash on which DASNY had a lien). Such stipulations provided for the Debtor's access to funding and ensured the Debtor's ability to continue providing quality medical care and serving its community while navigating the chapter 11 process.

(b) **DIP Financing Facility and Order.**

On August 16, 2013, the Debtor filed a motion seeking a final order authorizing the Debtor to obtain a postpetition secured loan from DASNY (i.e., new money) and to continue using DASNY's cash collateral (i.e., proceeds from DASNY's collateral) [Docket No. 638]. On September 30, 2013, the Bankruptcy Court entered a final order granting that motion [Docket No. 747] (the "**DIP Order**"). In exchange, DASNY was granted allowed super-priority administrative Claims as well as security interests in and liens on most property of the Debtor. Subsequently, the Debtor and DASNY entered into three stipulations modifying certain terms and dates in the DIP Order and increasing the aggregate amount of DASNY's postpetition secured loan to $45,100,000 [Docket Nos. 864, 912, and 1001].

### 4.4 *IMC's Post Petition Restructuring Efforts.*

As it did prepetition, after the Petition Date the Debtor continued to focus on a financial and operational restructuring for IMC to continue as a standalone entity or in combination with one or more other hospitals. Thus, IMC continued working to develop a plan to provide a financially viable healthcare system to address the needs of IMC's community. Among other things, IMC was engaged in discussions regarding the terms of a potential affiliation or similar relationship with one or more other hospitals.

(a) **TBHC.**

Largely due to the requirements of DOH and DASNY, such discussions eventually focused on renewed discussions with TBHC. On March 22, 2013, the Bankruptcy Court approved the Debtor's entry into a Memorandum of Understanding with TBHC (the "**TBHC MOU**") intended to help reconfigure, enhance, and expand resources to improve the provision of healthcare to IMC's community. See Docket No. 348. Among other things, the TBHC MOU set forth the general terms pursuant to which IMC and TBHC would continue their negotiations and due diligence efforts concerning a potential business integration. Additionally, the TBHC MOU provided there would be commercially reasonable, good faith efforts to maintain the New IMC as a general hospital with inpatient services, but did not commit to that result. The TBHC MOU also precluded IMC from soliciting alternative transactions while TBHC performed its due diligence. Unfortunately, months passed and TBHC never initiated the formal due diligence process. IMC understands TBHC required and had been promised $1.6 million of New York State financing to fund TBHC's due diligence, but such funding never materialized.

(b) **Other Progress Towards Confirmation of a Chapter 11 Plan.**

Particularly as the prospects for a transaction with TBHC faded, IMC worked to identify and pursue alternatives that would preserve operations at IMC. During the limited time available to IMC to explore alternatives, IMC's efforts did not yield a transaction with a third party that would support operations by IMC. Nonetheless, IMC developed multiple draft restructuring business plans that could form the basis for a stand-alone restructuring of IMC and prepared a related chapter 11 term sheet. Also, IMC pursued and obtained an agreement for DASNY to provide IMC debtor in possession financing to help IMC continue its operations while a comprehensive restructuring blueprint for many of Brooklyn's hospitals was being developed or to bridge IMC until a potential stand-alone plan for IMC was finalized and approved by DOH.

As part of its exit strategy, the Debtor also negotiated a memorandum of understanding with DASNY (the creditor holding by far the largest secured and unsecured Claims against the Debtor) regarding, among other things, plan treatment of DASNY's multiple claims, chapter 11 financing arrangements, and related issues (the "**DASNY MOU**"). The original DIP Order entered on September 30, 2013, also established the basis for the settlement of all of DASNY's prepetition and postpetition Claims against the Debtor through the so-called DIP Transaction. The DIP Transaction contemplated that the Debtor would fully implement the Closure and Transition Plan (i.e., the closure of IMC's hospital and the transfer of IMC's clinics

by December 31, 2013. Then DASNY (or a DASNY subsidiary) would have received or controlled the use of, among other things, IMC's hospital property, which was to be leased by DASNY for uses corresponding to the healthcare needs of IMC's community.

The DIP Transaction also provided that IMC would retain, free and clear of any liens or Claims of DASNY, certain Estate assets that were not being transferred to DASNY or its designee, including remaining Cash on hand, certain causes of action, and accounts receivable. IMC then was to use the proceeds from those assets to satisfy Administrative Claims and if funds still remained available, make distributions on General Unsecured Claims.

Due to the passage of time and intervening events, including a decision to keep IMC's hospital operating in some form at least for an extended period, certain modifications were made to the DIP Order and the original DIP Transaction was superseded. Specifically, the Debtor and DASNY reached further agreements as to the settlement and Plan treatment of DASNY's Claims through the Term Sheet, and ultimately a revised term sheet that formed the basis for the Plan. See section 4.5.

Contemporaneously, IMC engaged in plan related negotiations with certain key constituents other than DASNY. For example, the Bankruptcy Court's orders resolving both the Debtor's motion to extend the automatic stay's protection to most of the Debtor's staff and the motion of the Ad Hoc Doctors' Group and the Committee of Interns and Residents ("**CIR**") seeking allowance of an Administrative Claim based on potential postpetition medical malpractice indemnity claims led to productive discussions regarding plan treatment of medical malpractice claims against the Debtor, as well as the establishment of a $400,000 restricted fund to cover medical malpractice related indemnity claims against IMC (the "**Indemnity Reserve Fund**"). (That fund now will be utilized to help fund the treatment of Postpetition Medical Malpractice Claims under the Plan and thereby help resolve related Indemnification Claims.)

### 4.5 *Events Leading to Current Chapter 11 Plan.*

#### (a) **Closure and Transition Plan.**

After submitting multiple reorganization business plans to DOH and DASNY, in July 2013, IMC received letters from DOH and DASNY directing IMC to begin work on a plan of closure. In particular, DOH sent IMC a letter, dated July 19, 2013, advising IMC that its latest proposed reorganization business plan was not acceptable to DOH, could not be resubmitted, and, therefore, IMC should commence work on a closure plan. IMC responded to DOH by letter, dated July 22, 2013, advising DOH of certain considerations that IMC believed should cause DOH to revise certain DOH views expressed in DOH's July 19 letter, clarified other points, and requested to meet with DOH immediately to work together on an acceptable restructuring plan. DOH did not accept IMC's requests.

Subsequently, by letter, dated July 24, 2013, DASNY advised IMC that: (a) DASNY did not believe any additional funding for IMC would come from New York State or any other source other than in connection with IMC's prompt closure; (b) DASNY's consent to IMC's continued use of cash collateral was conditioned on IMC's agreement to implement a

closure plan; and (c) DASNY expected IMC to file a motion seeking Bankruptcy Court authorization for the Debtor to implement such closure plan by July 29, 2013.

Accordingly, on July 24, 2013, IMC's Board determined to develop and seek Bankruptcy Court authorization to implement a plan for the closure and transition of IMC's inpatient care facilities, and to provide for the identification of alternative providers for the continuance of certain outpatient programs and the transfer of outpatients to alternative providers if such arrangements could not be made (collectively, the "**Closure and Transition Plan**"). The Board reached this difficult decision after concluding that: (x) IMC had exhausted its pending efforts to preserve IMC as an inpatient hospital, particularly, due to the directives set forth in the then recent DOH and DASNY letters; and (y) only by cooperating with DOH and DASNY would IMC have any chance of convincing them and New York State to change course and save IMC's operations. Moreover, without immediately seeking Bankruptcy Court approval to implement a closure and transition plan, IMC would have had no access to cash collateral or DIP financing and therefore, no funding to continue operations and survive (as well as to maintain patient safety) until a solution to preserve IMC could be identified. Consequently, IMC's Board believed it was left with no choice in fulfilling its duties to IMC's creditors and community as well as to ensure patient safety.

On July 25, 2013, the Debtor submitted a draft form of the Closure and Transition Plan to DOH for approval. On July 30, 2013, the Debtor filed a motion with the Bankruptcy Court seeking entry of an order authorizing the Debtor to implement, in accordance with New York State law, the Closure and Transition Plan (the "**Closure and Transition Motion**").

In connection with the approval of the Closure and Transition Motion, IMC sought approval of a Memorandum of Understanding ("**MOU**") between IMC and Kingsbrook Jewish Medical Center ("**KJMC**"). The KJMC MOU addressed, among other things, the then-anticipated transition of certain IMC Clinics to KJMC in connection with implementation of the Closure and Transition Plan.

A number of objections were filed to the Closure and Transition Motion, several of which the Debtor was able to consensually resolve. An evidentiary hearing on the Closure and Transition Motion was held on November 13, 2013.

(b) **Mediation Regarding Closure and Transition Plan Issues.**

At the end of the hearing on the Closure and Transition Motion, the Bankruptcy Court reserved decision on the motion and ordered the Debtor, DOH, DASNY, 1199, NYSNA, CIR, the Ad Hoc Doctors Group, and the IM Foundation (the "**Mediating Parties**") to enter into mediation to attempt to address the outstanding objections to the Closure and Transition Motion and to evaluate any alternatives to the Closure and Transition Plan. The Honorable Elizabeth Stong was the mediator. The mediation tentatively concluded on Friday, December 20, 2013 without resolution.

Meanwhile, on December 19, 2013, at DASNY's request, the Bankruptcy Court granted a portion of the relief requested in the Closure and Transition Motion by entering an order authorizing the Debtor to transfer Clinic operations to KJMC in accordance with the KJMC

MOU [Docket No. 840] (the "**Clinics Transfer Order**"). The Clinics Transfer Order was entered based on representations the order was needed to facilitate KJMC's preparation for the clinics transfer and that the Clinics Transfer Order would not interfere with the mediation or any other discussion concerning the fate of IMC's Hospital. Further, the Clinics Transfer Order was entered without prejudice to any other aspect of the Closure and Transition Motion and provided that all parties' rights regarding the remainder of the relief sought in that motion were reserved.

In light of the results of the mediation to that point, on December 23, 2013, IMC was to submit a proposed order authorizing the Debtor to implement, in accordance with New York State law, the Closure and Transition Plan for the Debtor's Hospital and Certain Affiliated Outpatient Clinics and Practices. The form (but as to objecting parties, not the substance) of the proposed order had been agreed to by all of the Mediating Parties.

(c) **Continuation of IMC's Operations.**

Nonetheless, early on December 23, 2013, DOH: (a) instructed IMC not to submit the proposed order on the Closure and Transition Plan to the Bankruptcy Court; (b) instructed IMC to continue to operate its Hospital through at least early March 2014; (c) promised IMC $3.5 million to fund those continued operations (and presumably more, as IMC had advised DOH that $3.5 million would not be sufficient for IMC to continue operating its Hospital through early March 2014); and (d) directed IMC to continue preparation to transfer the clinics. DASNY supported DOH's instructions to IMC and agreed to work with DOH as the conduit for the additional $3.5 million (or greater amount) of funding for IMC through an increase in DASNY's DIP loan commitment to IMC.

Subsequently, IMC's Board of Trustees determined to delay (not cancel) the transition of IMC's clinics to KJMC, which transition previously had been scheduled for January 26, 2014, until the fate of IMC's Hospital was determined with certainty. Among other things, the Board reasoned that patient referrals from the Clinics to IMC's Hospital were critical to the Hospital's operations. However, DOH and DASNY asserted the January 26 date for transfer of IMC's Clinics could not be deferred and did not depend on resolving the fate of IMC's Hospital. Based on that assertion, DOH and DASNY insisted IMC must go forward with the Clinics transition before IMC could obtain or utilize any funding previously promised by DOH and DASNY to finance IMC's operations during 2014. IMC's Board refused.

(d) **Notice of Defaults Under the DIP Loan.**

Consequently, on January 16, 2014, DASNY filed a letter requesting a Court conference to discuss IMC's alleged defaults under the Final DIP Order and the DIP Loan Documents [Docket No. 853]. DASNY also filed a Notice of Defaults outlining the alleged specified Events of Default (the "**Notice of Defaults**") [Docket No. 852]. The same day, IMC filed a responsive letter disputing the accuracy of the Notice of Defaults and asserting that any actual defaults had been caused by DASNY and DOH [Docket No. 854].

A status conference on the Notice of Defaults was held on January 21, 2014 [Docket No. 856]. The Bankruptcy Court then directed the Mediating Parties to engage in

further mediation with Judge Stong regarding the alleged defaults, IMC's responses, and related issues.

(e) **New IMC/DASNY Agreement.**

In connection with that resumed mediation, DASNY and IMC agreed to resolve the Notice of Defaults disputes by: (a) DASNY providing certain additional financing to IMC; (b) DASNY and IMC agreeing to a term sheet regarding all of DASNY's financing, the continued future operation of IMC's Hospital and Clinics, and the allocation of assets and liabilities in an IMC chapter 11 plan; and (c) a change of IMC's senior management. One immediate follow up was that on January 27, 2014, the Bankruptcy Court approved a proposed stipulation and order modifying the DIP Order, increasing the amount of IMC's DIP facility. Annexed to that Stipulation (solely for informational purposes) was a draft term sheet addressing the broader agreement between DASNY and IMC (the "**Term Sheet**").

(f) **The Initial Plan Term Sheet.**

On January 31, 2014, the Debtor filed a separate motion (the "**Term Sheet Motion**") for an order: (a) approving the Term Sheet between the Debtor and DASNY; (b) authorizing the Debtor to implement the Term Sheet; (c) vacating the automatic stay to the extent necessary to permit the appointment of a temporary operator for IMC; (d) amending the DIP Order; and (e) granting related relief.

The Term Sheet embodied a new global settlement between the Debtor and DASNY that: (a) would (i) provide the Debtor with substantial funding to ensure IMC's administrative solvency (and the potential for distributions to IMC's general unsecured creditors) plus (ii) facilitate the continued operation of IMC's Hospital and Clinics for an extended period that ultimately could lead to their long term survival after implementation of the Plan; while (b) addressing DASNY's (and DOH's) concerns about IMC's continued operations by having DOH determine the identity of the post-March 14, 2014 senior manager of the Hospital and Clinics. IMC's new senior manager then was contemplated to be a temporary operator appointed by the DOH pursuant to New York State law and with IMC's consent.

Several objections were filed to the Term Sheet Motion, including an objection by the U.S. Trustee, who also filed a separate motion to appoint a chapter 11 trustee for IMC in lieu of the temporary operator [Docket No. 884]. The U.S. Trustee's primary argument was that DOH's appointment of a temporary operator for IMC was not permitted under the Bankruptcy Code and only a chapter 11 trustee chosen by the U.S. Trustee could be appointed.

During a Court conference call regarding scheduling for the Term Sheet Motion and the U.S. Trustee's motion to appoint a chapter 11 trustee, the Bankruptcy Court ordered mediation to resume among the Debtor, DASNY, DOH, and the U.S. Trustee in an effort to consensually resolve the parties' differences.

(g) **New Chief Restructuring Officer.**

During the renewed mediation, the Debtor, DASNY, DOH, and the U.S. Trustee reached an agreement that IMC would retain a new chief restructuring officer for the Debtor (the "**New CRO**") in lieu of a temporary operator, until the Effective Date of the Plan. The New CRO would handle big picture issues such as obtaining funding from DSRIP (the Delayed System Reform Incentive Program), community relations and negotiations, healthcare coordination, negotiations with potential operating partners, and interactions with IMC's key creditors, employee representatives, and community. The mediation agreement also contemplated IMC's retention of a new CEO to oversee IMC's day to day operations and assist with restructuring operations of IMC's Hospital and Clinics.

The Debtor filed a separate motion to retain Melanie Cyganowski as IMC's New CRO and to retain Steven Korf (through ToneyKorf Partners LLC) as IMC's new CEO. Effective March ~~27,~~26, 2014, the New CRO stepped in to oversee IMC's Hospital and Clinics, with the new CEO running the day-to-day operations. Pursuant to the Plan, after the Plan's Effective Date, the New CRO would become the Temporary Operator of Reorganized IMC pursuant to New York Public Health Law § 2806-a.

(h) **Revised Plan Term Sheet.**

The Debtor and DASNY continued to revise the chapter 11 plan Term Sheet. While that revised version eventually was superseded by the Plan itself, the revised Term Sheet facilitated progress on the Plan.

## ARTICLE V.

## SUMMARY OF THE PLAN

**THIS SUMMARY IS NOT AS COMPLETE AS, AND IS SUBJECT TO, THE FULL TEXT OF THE PLAN, WHICH IS EXHIBIT 1 TO THIS DISCLOSURE STATEMENT.**

### 5.1 *Summary of Anticipated Operations After the Effective Date*

IMC understands DOH is committed to funding the operations of IMC's Hospital and Clinics from the present until approximately March 2015, subject to the proviso that during that time period Hospital and Clinic operations might be modified and the Clinics might be transferred. Hence, the Reorganized Debtor's operational and restructuring goals will be to preserve the delivery of critical healthcare services in IMC's community while complying with applicable restrictions on funding. Meanwhile, after the Effective Date, IMC's post March 2015 operations will be evaluated. Decisions as to all such matters will be made by IMC's new CRO, who will become IMC's Temporary Operator on the Effective Date, in consultation with IMC's new CEO, DOH, and DASNY.

### 5.2 *Summary of Distributions Under the Plan.*

Under the Plan, each holder of an Allowed Claim in a particular Class will receive the same treatment as the holders of all other Allowed Claims in the same Class, whether or not

such holder votes to accept the Plan, unless such holder agrees to accept less favorable treatment. Upon confirmation of the Plan, it will be binding on all of the Debtor's creditors regardless of whether or not such creditors voted to accept the Plan. Such treatment will be in full satisfaction and release of and in exchange for such holder's Claim(s) against the Debtor, except as otherwise provided in the Plan.

(a) **Treatment of Unclassified Claims.**

The Bankruptcy Code does not require classification of certain priority claims against a debtor. In the Plan, such unclassified Claims include Administrative Claims (including, among other things, Postpetition Medical Malpractice Claims, Fee Claims, and Claims for U.S. Trustee Fees). Their Plan treatment is set forth below.

**(1) Certain Administrative Claims.**

Under the Plan, Administrative Claims include any Claim, other than a DASNY Claim, for payment of costs or expenses of administration specified in sections 503(b) and 507(a)(1) of the Bankruptcy Code. Administrative Claims include, without limitation, the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries or commissions for services rendered).

On the Distribution Date (i.e., the later of: (i) the Effective Date (i.e., the date the Plan is consummated); (ii) the date a Claim is Allowed; or (iii) as soon as practicable after (i) or (ii)), except to the extent a holder of an Allowed Administrative Claim agrees to different treatment, which treatment shall be acceptable in the sole discretion of the Disbursement Agent, each such Allowed Claim (not including Postpetition Medical Malpractice Claims, Fee Claims and Claims for U.S. Trustee Fees, each of which are addressed separately below), shall be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code. Nevertheless, Allowed Administrative Claims incurred in the ordinary course of business and on ordinary business terms unrelated to the administration of the Chapter 11 Case (such as Allowed trade and vendor Claims) shall be paid, at the Reorganized Debtor's option, in accordance with ordinary business terms for payment of such Claims.

The amount of funds to be provided by DASNY pursuant to the DIP Facility for payment of all Allowed Administrative Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement[5] filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Administrative Claims. All such payments (i.e., pursuant to Section 4.1 of the Plan) will be made by the Disbursement Agent.

**(2) Postpetition Medical Malpractice Claims.**

Under the Plan, holders of Allowed Postpetition Medical Malpractice Claims not subject to the Election (as described in Section 6.1 of the Plan and section 5.3(a) of this

[5] The Debtor intends to file the Plan Supplement not less than seven (7) days before the Confirmation Objection Deadline.

Disclosure Statement) shall, in full satisfaction of such Claims as well as any related Covered Persons Claims: (a) receive payment from the Disbursement Agent from: (i) funds provided by DASNY pursuant to the DIP Facility on or prior to the Effective Date; plus (ii) the $400,000 Indemnity Reserve Fund created by IMC (utilizing DASNY's cash collateral and an I M Foundation contribution), all of which shall be held for Distribution in a segregated account by the Disbursement Agent; or (b) otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code.

The total amount of funds to be provided by DASNY pursuant to the DIP Facility (together with the Indemnity Reserve Fund) for payment of all such Allowed Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Postpetition Medical Malpractice Claims. Any excess funds in such segregated account after the earlier of: (x) the tenth anniversary of the Effective Date; and (y) the date all such Claims have been resolved and paid, shall be paid to DASNY's designee.

**(3) Fee Claims.**

Under the Plan, Fee Claims include any Claim by: (a) a Professional Person for compensation or reimbursement pursuant to section 327, 328, 330, 331, 503(b), or 1103(a) of the Bankruptcy Code in connection with the Chapter 11 Case; (b) a member of the Creditors' Committee for reimbursement of expenses arising under section 503(b)(3)(F) of the Bankruptcy Code; (c) the Ombudsman and its counsel; (d) John Leech as CRO; (e) Gordian Dynamis Solutions LLC; (f) Melanie Cyganowski, as CRO; or (e) ToneyKorf Partners LLC.

(i) **Filing and Payment.**

A Fee Claim for which a final fee application has been properly filed and served pursuant to Section 7.7(a) of the Plan shall be payable by the Disbursement Agent to the extent approved by a Final Order of the Bankruptcy Court.

(i) **Estimates and Reserve.**

Each holder of a Fee Claim shall be required to submit to the Debtor at least seven- ~~business~~ days prior to the Confirmation Date a written estimate of the portion of its Fee Claim that will have accrued prior to and including the Confirmation Date, but that has not yet been included in a monthly fee statement or interim fee application previously submitted by such holder (collectively, the "**<u>Estimated Fee Claims</u>**"). On the Confirmation Date, the Debtor shall reserve and hold in an account Cash equal to the aggregate amount as of the Confirmation Date of each unpaid Estimated Fee Claim plus all unpaid amounts or holdbacks from monthly fee statements or interim fee applications (minus any unapplied retainers). All parties entitled to file Fee Claims shall be entitled to reasonable compensation for fees and expenses incurred through the Effective Date, subject to any necessary approval by the Bankruptcy Court. On the Effective Date, such Cash plus an amount equal to the estimated amount of unpaid Fee Claims accrued from the Confirmation Date to the Effective Date as well as the estimated amount of Fee Claims to be incurred after the Effective Date other than for services for the Reorganized Debtor shall be

transferred to the Disbursement Agent and maintained in a separate reserve account at a financial institution pending distribution to holders of Allowed Fee Claims. Such Cash shall be disbursed solely to the holders of Allowed Fee Claims as soon as reasonably practicable after a Fee Claim becomes an Allowed Claim. Upon payment of Allowed Fee Claims, any Cash remaining in such account sufficient to satisfy all other unresolved Allowed Fee Claims shall be reserved until they have been paid in full or all remaining Fee Claims have been Disallowed or not otherwise permitted to be paid by Final Order, at which time(s) any remaining Cash held in reserve respecting the Estimated Fee Claims shall become the property of DASNY's designee.

(ii) **Objections**.

Objections to Fee Claims, if any, must be filed and served pursuant to the procedures set forth in the Confirmation Order no later than the latest of forty-four (44) days after the Effective Date, 14 days after the date such Fee Claim is filed, or such other date as established by the Bankruptcy Court.

**(4) Claims for U.S. Trustee Fees.**

Under the Plan, on the Effective Date or as soon as practicable thereafter, the Disbursement Agent shall pay all U.S. Trustee Fees then due. Any U.S. Trustee Fees due thereafter shall be paid by the Disbursement Agent or the Liquidating Trust (as applicable based on Distributions respecting holders of Allowed Claims) until the earlier of the entry of a final decree closing the Chapter 11 Case, or a Bankruptcy Court order converting or dismissing the case. Any deadline for filing other Administrative Claims or Fee Claims shall not apply to U.S. Trustee Fees.

(b) **Treatment of Classified Claims.**

The following describes the Plan's classification of the remaining Claims and the treatment of Allowed Claims in such Classes:

**(1) Class 1—Priority Claims.**

Under the Plan, Priority Claims include any Allowed Claim against the Debtor entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) Administrative Claims; (b) Priority Tax Claims; or (c) DASNY Claims, to the extent such Claim has not already been paid during the Chapter 11 Case. The Debtor estimates Allowed Priority Claims will aggregate approximately $1,900,000 - $3,300,000, which estimate is subject to adjustment prior to the Confirmation Date.

On the Distribution Date, except to the extent a holder of an Allowed Priority Claim agrees to different treatment, which treatment shall be acceptable in the sole discretion of the Disbursement Agent, each such Allowed Claim shall be paid in full in Cash or otherwise receive treatment consistent with section 1129(a)(9) of the Bankruptcy Code; provided, however, that any Allowed Priority Claim that is based on any employee's entitlement to paid time off shall be satisfied by the Reorganized Debtor's assumption of the paid time off obligation if such employee is employed by the Reorganized Debtor on the Effective Date.

The amount of funds to be provided by DASNY pursuant to the DIP Facility for payment of all Allowed Priority Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Priority Claims. All payments on Allowed Priority Claims shall be made by the Disbursement Agent.

(i) **PBGC Claims.**

The Debtor sponsors and maintains two defined benefit pension plans, known as the Health Services Retirement Plan (the "**Health Services Pension Plan**") and the Interfaith Medical Center Nurses Pension Plan (the "**Nurses Pension Plan**," collectively, the "**Pension Plans**"). The Pension Benefit Guaranty Company (the "**PGBC**") asserts the Pension Plans are covered by Title IV of the Employment Retirement Income Security Act of 1974, as amended ("**ERISA**") (29 U.S.C. § 1301 *et seq.*). Effective as of December 31, 2005, benefits ceased to accrue for participants under the Health Services Pension Plan. Effective as of January 1, 2006, employees formerly covered under the Health Services Pension Plan were entitled to receive benefits under the Nurses Pension Plan.

The Pension Plans may, in the course of the Chapter 11 Case, terminate under the distress termination provisions of 29 U.S.C. § 1341(c) or under the provisions for the PBGC initiation of 29 U.S.C. § 1342(a). The PBGC asserts that in the event of termination of the Pension Plans, the Debtor[6] would be liable for the unfunded benefit liabilities of the Pension Plans. See 29 U.S.C. § 1362(b). The PBGC has filed estimated contingent Claims in the Chapter 11 Case for unfunded benefit liabilities owed to the Health Services Pension Plan in the amount of $20,125,925, and the Nurses Pension Plan in the amount of $48,394,719. The PBGC asserts these Claims are entitled to priority in an unliquidated amount under sections 507(a)(2) and (a)(8) of the Bankruptcy Code, which would be in Classes 1 and 2 of the Plan, respectively.

The Debtor expects there to be a distress or PBGC-initiated termination of both Pension Plans and will be seeking such relief. The PBGC asserts that if such a distress termination of the Pension Plans is sought, then: (a) the timing of confirmation and consummation of the Plan almost certainly will be delayed from the scheduled timing in May 2014, until probably by at least 60 days later, but possibly more; (b) it will be the Debtor's burden to prove that the criteria for a distress termination are met; (c) the Bankruptcy Court will be charged with making factual findings under the "reorganization in bankruptcy test"; and (d) approval of termination of the Pension Plans by the PBGC and the Bankruptcy Court would be uncertain. The Debtor disagrees with certain of the PBGC's assertions, including those regarding potential delay.

The PBGC asserts the Debtor is (and all members of its controlled group, if any, are) obligated to pay the contributions necessary to satisfy the minimum funding standards under sections 412 and 430 of the Internal Revenue Code and sections 302 and 303 of ERISA. The PBGC has filed estimated Claims under 29 U.S.C. § 1362(c) asserting that contributions are owed to the Health Services Pension Plan in the amount of $2,304,163, and to the Nurses

[6] Respecting the Pension Plans, the PBGC asserts there would be liability for all members of the Debtor's control group, but the Debtor is not aware of any other Person that would be in a control group for the Debtor.

Pension Plan in the amount of $7,204,819. Respecting the Health Services Pension Plan, the PBGC asserts that $70,466 is entitled to administrative priority under section 507(a)(2) and $87,258 is entitled to priority under section 507(a)(5). Respecting the Nurses Pension Plan, the PBGC asserts that $867,625 is entitled to administrative priority under section 507(a)(2) and $952,280 is entitled to priority under section 507(a)(5). All of such Claims would be in Class 1 under the Plan.

The PBGC asserts the Debtor is (and all members of its controlled group, if any, are jointly and severally) liable to the PBGC for all unpaid premium obligations owed by the Debtor on account of the Pension Plans. See 29 U.S.C. § 1307. The PBGC has filed two unliquidated Claims in the Chapter 11 Case for statutory premiums owed to the PBGC on behalf of the Pension Plans.

The PBGC asserts that if either of the Pension Plans terminate in a distress or PBGC-initiated termination, then the plan sponsor (and any controlled group members) would be liable to the PBGC for a termination premium at the rate of $1,250 per plan participant per year for three years under 29 U.S.C. § 1306(a)(7). The PBGC asserts that if the Pension Plans are terminated prior to confirmation of the Debtor's Plan, then the obligation to the PBGC for termination premiums would not exist until after the Plan is confirmed and the sponsor has (and any controlled group members have) exited bankruptcy. The PBGC asserts that under these circumstances, termination premiums would not be a dischargeable claim or debt within the meaning of the Bankruptcy Code. The PBGC estimates the amount of the termination premium liability for the Pension Plans on a combined basis would approximate $5.38 million. The Debtor reserves all rights respecting any such asserted termination premium and any other assertions of the PBGC.

**(2) Class 2—Priority Tax Claims.**

Under the Plan, Priority Tax Claims include any Claim by a governmental unit of the kind specified in section 507(a)(8) of the Bankruptcy Code. The Debtor estimates Allowed Priority Tax Claims will aggregate approximately $66,000 - $600,000, which estimate is subject to adjustment prior to the Confirmation Date.

On the Distribution Date, except to the extent a holder of an Allowed Priority Tax Claim agrees to different treatment, which treatment shall be acceptable in the sole discretion of the Disbursement Agent, each holder of such an Allowed Claim shall receive Cash in an amount equal to such Allowed Priority Tax Claim or other treatment consistent with section 1129(a)(9) of the Bankruptcy Code.

The amount of funds to be provided by DASNY pursuant to the DIP Facility for payment of all such Allowed Priority Tax Claims shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Allowed Priority Tax Claims. All payments on Allowed Priority Tax Claims shall be made by the Disbursement Agent.

**(3) Class 3—Other Secured Claims.**

Under the Plan, Other Secured Claims include, other than a DASNY Claim, that portion of a Claim that is secured by a valid, perfected, and enforceable security interest, lien, mortgage, or other encumbrance, that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of a Debtor in and to property of such Debtor's Estate, to the extent of the value of the holder's interest in such property as of the relevant determination date. The Debtor estimates the aggregate amount of Class 3 Other Secured Claims, excluding any Claims based on setoff or recoupment, approximates $630,000 - $700,000, which estimate is subject to adjustment prior to the Confirmation Date.

On the Distribution Date, except to the extent a holder of an Allowed Other Secured Claim agrees to different treatment, each holder of such an Allowed Claim shall receive: (i) Cash in an amount equal to such Allowed Claim; or (ii) the collateral securing such Allowed Claim. Responsibility for any such payment be shall be, as applicable: (x) DASNY (or the Disbursement Agent) or DASNY's designee (solely respecting Allowed Claims secured by collateral being conveyed to DASNY or its designee pursuant to the Plan); (y) DASNY (or the Disbursement Agent) or the Reorganized Debtor (solely respecting Allowed Claims secured by collateral being retained by the Reorganized Debtor pursuant to the Plan); or (z) the Liquidating Trust (solely respecting Allowed Claims secured by collateral, if any, being conveyed to the Liquidating Trust pursuant to the Plan).

**(4) Class 4—DASNY Claims.**

(a) **Description.**

DASNY's asserted secured Claims total approximately $165 million, consisting of $119,312,276.30 respecting Prepetition Loan Obligations and approximately $45.1 million under the DIP Facility (of which approximately $30 million will be drawn as of the Confirmation Date and the remainder will be drawn on the Effective Date), and are secured by substantially all of the Debtor's assets, including the Debtor's real property, furniture, fixtures, equipment, inventory, and accounts receivable. DASNY also has an unsecured Claim of not less than $12,181,775.25 respecting DASNY's prepetition unsecured Fund B Loan plus an unsecured deficiency Claim to the extent the value of DASNY's collateral is less than DASNY's applicable secured Claims. As the collateral securing DASNY's asserted secured Claims is worth far less than $165 million, DASNY's Class 4 Claims are assumed to approximate $77 million ~~(including $45.1 million of DIP Facility Claims and approximately $21.9 million of secured prepetition Claims)~~ and DASNY's General Unsecured Claim is assumed to approximate $100 million.

(b) **Treatment**

On the Effective Date, in full satisfaction of all of DASNY's Claims against the Debtor, including any DIP Claims, Superpriority Claims, Administrative Claims, Priority Claims, Prepetition Secured Claims, and General Unsecured Claims (except as provided below and in Section 5.6 of the Plan regarding DASNY's Class 6 Claim), the Disbursement Agent, DASNY's designee, or the Reorganized Debtor (with DASNY ~~or DASNY's designee~~ determining in its sole discretion which assets shall be retained by the Reorganized Debtor and which assets shall

be conveyed free and clear of any liens, claims, charges, pledges, encumbrances, and/or interests of any kind[7] to DASNY's designee) shall receive all assets of the Debtor (except for those assets the Plan or DASNY~~'s designee~~ determines are to be conveyed to the Liquidating Trust or abandoned), including, without limitation: (a) all real property; (b) all real property leases and other executory contracts; (c) all inventory, furniture, fixtures, and equipment; (d) all accounts receivable for Hospital services; (e) any grants or other funding due to the Debtor; (f) all of the Debtor's medical records; provided, however, the Liquidating Trust shall continue to have reasonable access to such records as needed; (g) all Healthfirst equity interests; (h) all funds set aside by the Debtor for the payment of Allowed Postpetition Medical Malpractice Claims; (i) all funds to be deposited in the Covered Persons Fund; and (j) all funds provided to the Debtor pursuant to the DIP Facility; provided, however, that the Debtor's Medicare provider agreements shall be assumed and retained by the Reorganized Debtor. DASNY also shall receive Plan releases as described in section 6.14(d), below and Section 9.5(d) of the Plan.

The Allowed Class 4 Claim shall, if necessary, be estimated for voting purposes at an agreed upon amount~~, but in no event shall such amount be less than the amount of DASNY's postpetition funding of the Debtor pursuant to the DIP Facility, which amount shall be $45,100,000 plus the amount(s) to be provided pursuant to the DIP Facility in connection with the Effective Date~~. Additionally, DASNY shall have an Allowed General Unsecured Claim in Class 6 for voting purposes, but DASNY shall not be entitled to any Distribution on that Claim if Class 6 accepts the Plan.

Upon entry of the Confirmation Order, but subject to occurrence of the Effective Date, DASNY shall retain all rights, Claims, and liens available pursuant to the DIP Facility and the Prepetition Loan Documents~~except as expressly provided in~~. For the avoidance of doubt, the prohibitions in Paragraph 20 of the DIP Order concerning the use of proceeds of the DIP Facility, DIP Collateral, Prepetition Collateral, Cash Collateral, or the Carve-Outs (as each such term is defined in the DIP Order) to assert any claims, actions, or causes of action against DASNY shall survive confirmation and consummation of the Plan.

(c) **Committee Objections.**

The Creditors' Committee believes that the Plan cannot be confirmed, among other reasons, because of the Plan's proposed treatment of the DASNY Claims. As described in the Disclosure Statement, DASNY was a prepetition lender to the Debtor and thereby held certain prepetition secured and unsecured Claims against the Debtor. After the Petition Date, DASNY became the DIP Lender to the Debtor and thereby holds certain DIP Claims against the Debtor. The Creditors' Committee believe that the Plan provides that all of the DASNY Claims will vote and be resolved in Class 4, except for DASNY's General Unsecured Claims, which will vote in Class 6.

The Creditors' Committee believes that Class 4 cannot vote because it consists entirely of postpetition Claims. DASNY's prepetition secured Claims have been primed by DASNY's postpetition DIP Claims and by DASNY's postpetition adequate protection Claims

[7] The United States Department of Health and Human Services ("**HHS**") asserts the Plan may not extinguish or limit any federal interest respecting property or equipment purchased by the Debtor with grant money provided by HHS, but HHS identifies no such property or equipment.

pursuant the terms of the Court's order dated September 30, 2013, which approved the DIP Facility on a final basis and authorized the Debtor to use DASNY's cash collateral (Docket No. 747). The Creditors' Committee believes that the Court is likely to find that the value of DASNY's prepetition collateral is less than the value of DASNY's DIP Claims and its postpetition adequate protection Claims. Accordingly, the Creditors' Committee believes that all of DASNY's prepetition Claims are now General Unsecured Claims that will vote as part of Class 6, and that the postpetition Claims in Class 4 are not eligible to vote.

Similarly, the Creditors' Committee believes that classifying any postpetition Claims violates section 1123(a)(1) of the Bankruptcy Code and that the Plan violates section 1123(a)(1) because it places DASNY's postpetition Claims in Class 4.

The Debtor disagrees with the Committee's view that the Plan may not be confirmed due to the Plan's classification and treatment of the DASNY Claims. First, the Debtor believes the Creditors' Committee is incorrect on the facts because as of the Confirmation Date, the value of DASNY's collateral will exceed the aggregate amount of DASNY's postpetition Claims and, therefore, DASNY would have a prepetition secured Claim in Class 4. Regardless, as the Plan includes a compromise of DASNY's Claims, a portion of DASNY's postpetition Claims may be deemed to have been waived if necessary to confirm the Plan. Second, the Debtor believes the Creditors' Committee is incorrect on the law because while section 1123(a)(1) requires the classification of certain Claims, it does not prohibit the classification of or voting by other Claims, such as DASNY's postpetition Claims. Further, the Debtor believes classification of DASNY's postpetition Claims is particularly appropriate in the Plan because DASNY is the only creditor whose Claims are classified in Class 4 and DASNY is accepting treatment under the Plan of DASNY's Class 4 Claims significantly less favorable than what the Bankruptcy Code otherwise requires for such Claims.

**(5) Class 5—East Building Claims.**

(a) **Settlement Option.**

If 1545 Atlantic accepts the Plan, then upon the Confirmation Date, but subject to the occurrence of the Effective Date, the two agreements, dated May 17, 2004, between the Debtor and 1545 Atlantic denominated a "Development Lease" and an "Occupancy Lease" shall be recharacterized as a single financing agreement for an unsecured loan from 1545 Atlantic to the Debtor, with the Debtor then having title to the related land and improvements known as the "East Building," free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY.

In full satisfaction of any Claims of 1545 Atlantic based on those recharacterized agreements, 1545 Atlantic shall receive or retain: (a) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (b) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (c) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (d) $25,000 per month paid by the Debtor or DASNY's designee (as applicable) for the period April 1, 2014 through March 31, 2015; and (e) an Allowed General Unsecured Claim in Class 6 of $5,000,000.

(a) **Litigation Option.**

If 1545 Atlantic rejects the Plan, then: (a) 1545 Atlantic's leases shall be either: (i) recharacterized as a disguised financing pursuant to the Plan or, if necessary, pursuant to an adversary proceeding in the Bankruptcy Court; or (ii) rejected pursuant to the Plan and section 365, and notwithstanding section 365(h), the East Building shall be assigned by the Debtor pursuant to section 363(b) and the Plan to DASNY's designee free and clear of liens, claims, charges, pledges, encumbrances, and/or interests of any kind of 1545 Atlantic, but subject to any valid liens and mortgages of other parties, including DASNY. In either case, 1545 Atlantic then shall receive or retain: (v) the $4,026,006.28 paid by the Debtor to 1545 Atlantic prepetition; (w) the $500,000 "security deposit" paid by the Debtor to 1545 Atlantic; (x) the $300,000 paid by the Debtor to 1545 Atlantic for the postpetition period through March 31, 2014 (or through such later date as such payments are made); (y) payment(s) in amounts and at times determined by the Bankruptcy Court to be payable to 1545 Atlantic as adequate protection for any leasehold interest or respecting its rights under its subordination agreement with DASNY; and (z) an allowed General Unsecured Claim in Class 6 in an amount to be determined by the Bankruptcy Court.

**(6) Class 6—General Unsecured Claims.**

(a) **Provisions Governing All Class 6 Claims.**

Class 6 consists of the Holders of unsecured non-priority Claims, including Prepetition Medical Malpractice Claims. All Holders of Allowed General Unsecured Claims shall receive Pro Rata Distributions from all funds available from the Liquidating Trust after satisfaction of its fees, expenses, and other liabilities. Certain Allowed Prepetition Medical Malpractice Claims also shall receive the additional treatment discussed below.

Class 6 is entitled to vote on the Plan. DASNY's Class 6 Claim shall be estimated for voting purposes at an agreed upon amount equal to DASNY's deficiency Claims plus its unsecured Claims, ~~but in no event shall such amount be less than $100,000,000,~~ with DASNY waiving any Distribution on such Allowed Class 6 Claim if Class 6 accepts the Plan.

(b) **Covered Person Claims, i.e, Claims Against Covered Persons Related to Prepetition Medical Malpractice Claims.**

A holder of an Allowed Prepetition Medical Malpractice Claim shall be treated as a holder of an Allowed Class 6 Claim and to the extent such holder is also: (i) a holder of a Covered Person Claim, i.e. a medical malpractice claim against a Covered Person that: (A) would give rise to an Allowed Indemnification Claim by such Covered Person; and (B) is not covered by third party insurance; and (ii) and does not make the Election (i.e., to pursue recoveries solely from third party insurance), as described in section 6.1 of the Plan and section 5.3(a) of this Disclosure Statement, shall also receive a Pro Rata Distribution by the Disbursement Agent from the Covered Persons Fund (i.e., a separate fund established for payment of such Allowed Claims, to be comprised of contributions by or on behalf of Covered Persons (i.e., physicians, residents, fellows, nurses, or other employees of the Debtor entitled to indemnification by the Debtor for medical malpractice claims), including from individuals, CIR,

and potentially other sources), up to maximum amount per Allowed Prepetition Medical Malpractice Claim to be included in the Plan Supplement.[8] Thus, holders of Allowed Prepetition Medical Malpractice Claims and holders of other Allowed Class 6 Claims are receiving equal treatment in terms of Distributions from the Debtor under the Plan. Additionally, the specified holders of Allowed Prepetition Medical Malpractice Claims (i.e., those holders not subject to the Election who also assert claims against Covered Persons not covered by third party insurance) also will receive the Pro Rata Distribution from the Covered Persons Fund in exchange for such holders' loss of the right to pursue certain claims under the Covered Person Injunction.

The amount and sources of funds for the Covered Persons Fund shall be determined prior to the Confirmation Date in consultation with DASNY and the Debtor, be included in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan, and be binding on all holders of Prepetition Medical Malpractice Claims and all Covered Persons. All payments from the Covered Persons Fund shall be made by the Disbursement Agent.

The Debtor understands that holders of only a few Prepetition Medical Malpractice Claims continue to assert Covered Person Claims for several reasons. First, many of such Claims were resolved by settlements that provide for releases of any Covered Persons. Second, only a fraction of the remaining Covered Person Claims are not subject to third party insurance. Third, the group of Prepetition Medical Malpractice Claims eligible to receive Distributions from the Covered Persons Fund will be reduced further by those Claim holders who make the Election to recover solely from third party insurance. Accordingly, only a small percentage of the Prepetition Medical Malpractice Claims would share in the Distributions from the Covered Persons Fund under the Plan.

**(7) Class 7—Existing Equity Interests.**

Existing equity interests shall not receive or retain any distribution under the Plan.

**5.7 *Provisions for Resolution of Medical Malpractice Claims.***

(a) **Election to Pursue Solely Insurance.**

(i) Election. Under the Plan, no later than 90 days after the Effective Date, a holder of a Prepetition Medical Malpractice Claim or a Postpetition Medical Malpractice Claim for which a proof of claim was timely filed (or deemed timely filed) may make the Election to be granted relief from the automatic stay to litigate such holder's Claim in state court provided that, if such Election is made, then: (A) any recovery on such Claim shall be limited to available insurance, if any; (B) such holder shall not otherwise receive a Distribution under the Plan or any payments based on any related Covered Person Claim; and (C) such holder shall thereby release each Covered Person from any liability on a related Covered Person Claim except to the extent of available third party insurance (i.e., insurance held by a Covered Person) respecting such Covered Person.

[8] Among other things, the Plan Supplement will include the following information: (a) the total amount of Cash anticipated to be contributed to the Covered Persons Fund by or on behalf of Covered Persons; (b) an explanation of criteria utilized to determine the amounts of those contributions; and (c) a list of which Covered Persons made contributions to the Covered Persons Fund.

(ii) No Election. If a holder of an Prepetition Medical Malpractice Claim or a Postpetition Medical Malpractice Claim for which a proof of claim was timely filed (or deemed timely filed) does not make the Election within 90 days of the Effective Date, then such Claim shall be submitted for resolution through mediation pursuant to the Mediation Procedures in Section 6.2 of the Plan and as described in section 5.3(a)(b) below. If mediation does not resolve such Claim, then such Claim shall be estimated pursuant to section 502(c) of the Bankruptcy Code together with any indemnification, vicarious, or other liability asserted against the Debtor related to such Claim respecting any Covered Person; provided, however, that the holder of such Claim may affirmatively opt out from having its Claim so estimated by filing with the Bankruptcy Court an opt out request within 90 days of the Effective Date.

(b) **Mediation.**

(i) Selection of Mediator.

The Disbursement Agent shall select the mediator (the "**Postpetition Mediator**") for each Postpetition Medical Malpractice Claim. Upon a determination there will be sufficient funds available for Distributions on Allowed Class 6 Claims to warrant mediation and that each applicable Prepetition Medical Malpractice Claim cannot be settled at that time without mediation, the Liquidating Trustee shall select a mediator or mediators (the "**Class 6 Mediator**," and together with the Postpetition Mediator, the "**Mediator**") without further other of the Bankruptcy Court.

(ii) Costs.

Each Mediator shall charge its standard hourly rate for services of this kind. The Mediator's fees and expenses incurred in connection with each mediation session shall be the joint responsibility of (i) the Liquidating Trust or the Disbursement Agent, as applicable, and (ii) the applicable Claim holder. If the (i) Liquidating Trust or the Disbursement Agent, as applicable, or (ii) any Claim holder fails to appear for a scheduled mediation session without giving five (5) days written notice, the party failing to appear shall be responsible for 100% of the costs for that mediation session, including attorneys' fees, if any.

(iii) Mediation Procedures.

The Mediator shall have the duty and authority to establish reasonable and practical mediation procedures and shall have sole authority to set the date, time, and location of mediation sessions for each Claim subject to mediation. The Mediator, with the consent of the Liquidating Trustee or the Disbursement Agent, as applicable, shall select the order in which Claims will be presented to the Mediator. For the avoidance of doubt, nothing shall preclude the Liquidating Trustee or the Disbursement Agent, as applicable, from attempting to resolve a Claim outside of a mediation session (including, without limitation, by the Disbursement Agent offering a settlement payment).

(iv) Notice.

As soon as practicable after the selection of the Mediator for a particular Claim, the Mediator shall serve notice on the holder of the Claim subject to mediation and the

Liquidating Trustee or the Disbursement Agent, as applicable, advising that such Claim is subject to mediation. The notice shall contain procedures applicable to the mediation sessions, including timing for submission of documents or statements by the parties. After such service, the Mediator shall confer with each Claim holder and the Liquidating Trustee or the Disbursement Agent, as applicable, and/or their respective representatives to schedule mediation sessions. Once mediation sessions are scheduled by the Mediator (in its sole discretion), the Mediator shall serve notice of the date, time, and location of mediation sessions on the applicable Claim holder and the Liquidating Trustee or the Disbursement Agent, as applicable.

(v) Mediation Sessions.

Any party may be represented at a mediation session by legal counsel at such party's cost and expense, although legal counsel shall not be required for mediation. The Mediator shall meet with the parties or their representatives, individually and jointly, for a conference or series of conferences, as determined by the Mediator. The Mediator shall report any willful failure to attend or participate in good faith in the mediation sessions to the Bankruptcy Court, which may result in the imposition of sanctions by the Bankruptcy Court. The Mediator shall have no obligation to make written comments or recommendations regarding settlement.

(vi) Settlements.

A Class 6 Claim that is resolved pursuant to mediation shall be treated as an Allowed Class 6 Claim and shall be treated pursuant to section 5.6 of the Plan. A Postpetition Medical Malpractice Claim that is resolved pursuant to mediation shall be satisfied as set forth in Section 4.2 of the Plan.

(vii) Confidentiality.

Any statements made by the Mediator, any Claim holder, the Reorganized Debtor, the Liquidating Trustee, the Disbursement Agent, any Covered Person, their respective representatives, or any other Person during the Mediation process shall not be divulged to the Bankruptcy Court or any third party. Any reports, records, or other documents received or made by the Mediator shall be confidential. The Mediator shall not be compelled to divulge such records or testify in regard to the Mediation in connection with any other proceeding.

(c) **Release of Indemnification Claims Related to Medical Malpractice Claims.**

Each holder of an Allowed Indemnification Claim concerning a Prepetition or Postpetition Medical Malpractice Claim and claims against Covered Persons related to Allowed Prepetition or Postpetition Medical Malpractice Claims shall be deemed to have waived and released any such Indemnification Claim in exchange for the benefit of the Covered Person Injunction in Section 9.5(f) of the Plan.

**5.8** ***Proposed I M Foundation Settlement***[89]

The I M Foundation asserts a $4,300,000 Administrative Claim for funds advanced to IMC postpetition and a $5,505,073 General Unsecured Claim for funds advanced to IMC prepetition. IMC asserts those Claims are not valid because, among other things: (a) I M Foundation was not in the business of making loans; (b) I M Foundation could not have had a realistic expectation such advances would be repaid; (c) there was no documentation for any loans, just accounting book entries that the advances were loans; and (d) no interest was charged, accrued, or paid respecting any advances by I M Foundation. If, however, the advances were loans, then the Debtor asserts a preference claim for the net amount ($4,300,000) paid to the I M Foundation during the year preceding the Petition Date that was not readvanced to IMC prepetition. IMC asserts the one year preference period applies to the I M Foundation on the basis it is an insider of IMC due to the substantial overlap of employees and operations between the I M Foundation and IMC. IMC also has questioned whether there might be a basis for substantively consolidating the assets and liabilities of IMC and the I M Foundation because: (w) the I M Foundation regularly provided funding to IMC as and when needed; (x) historically, they issued joint financial statements; (y) there is a substantial overlap of personnel between IMC and the I M Foundation; and (z) essentially all of I M Foundation's operations revolve around IMC. Nonetheless, I M Foundation argues there is no basis for such consolidation because: (i) the assets and liabilities of IMC and the I M Foundation are easily distinguished; and (ii) creditors of IMC and the I M Foundation knew they were distinct entities and did not rely on their being jointly obligated.

If the I M Foundation timely accepts the Plan, then the Claims of the I M Foundation against the Debtor and the claims of the Debtor against the I M Foundation shall be resolved as follows: (a) upon the Effective Date, each of I M Foundation and the Debtor shall release each other and each other's respective officers, directors, members, trustees, employees, advisors, and attorneys, each in its capacity as such, for any and all claims arising prior to the Confirmation Date except for the right to enforce their respective obligations under the Plan; (b) the I M Foundation shall authorize the Reorganized Debtor and DASNY's designee to utilize the portion(s) of any parking lots adjacent to the Debtor's Hospital facility at 1545 Atlantic Avenue that are owned by I M Foundation at no cost for so long as the primary use of that facility shall be to provide healthcare services to the surrounding community; and (c) on the Effective Date, the I M Foundation shall donate $[__________]an amount to be specified in the Plan Supplement to the Covered Persons Fund solely to be used to fund a portion of the amounts available under the Plan to holders of Allowed Prepetition Medical Malpractice Claims in exchange for their release of Covered Person Claims under the Plan. If the I M Foundation does not timely accept the Plan, then all such claims shall remain unresolved.

**5.9** ***Plan as a Settlement.***

Pursuant to Bankruptcy Rule 9019 and Bankruptcy Code section 1123, and in consideration for the classification, distribution, and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and

[89] This is a description of a proposed settlement now being discussed. Neither IMC nor the I M Foundation has agreed to this settlement. If no settlement is reached before the Confirmation Hearing, then the proposed settlement shall be deleted from the Plan.

controversies resolved pursuant to the Plan, whether known or unknown, foreseen or unforeseen, asserted or unasserted, by or against any Released Party, or holders of Claims, arising out of, relating to or in connection with the business or affairs of or transactions with the Debtor. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, and its Estate, creditors and other parties-in-interest, and are fair, equitable and within the range of reasonableness. The provisions of the Plan, including, without limitation, its release, injunction, exculpation, and compromise provisions, are mutually dependent and non-severable.

**THE FOREGOING IS A SUMMARY OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE PLAN. CREDITORS ARE URGED TO READ RELEVANT PORTIONS OF THE PLAN IN FULL AS THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND EACH CREDITOR. THE PLAN SHOULD BE READ TOGETHER WITH THIS DISCLOSURE STATEMENT SO A CREDITOR CAN MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.**

## ARTICLE VI.

## MEANS OF EXECUTION OF THE PLAN

### 6.5 *Corporate Action.*

On the Effective Date, the Debtor shall continue to exist as the Reorganized Debtor, with all of the powers of a non-profit corporation under applicable law. The adoption of any new or amended and restated certificate of incorporation and by-laws and the other action provided for under the Plan for the Debtor or the Reorganized Debtor, as the case may be, shall be deemed to have occurred and be authorized and approved in all respects, without any requirement of further action by trustees of the Debtor or the Reorganized Debtor. The Confirmation Order shall provide that it establishes conclusive authority, and evidence of such authority, required for the Debtor and the Reorganized Debtor to undertake any and all actions required to implement or contemplated by the Plan, including without limitation, appointment of the Liquidating Trustee as selected pursuant to Section 7.4(b) of the Plan. Thus, no Board vote shall be required with respect thereto.

### 6.6 *Post-Effective Date Board of Trustees.*

As of the Effective Date, the current Board of Trustees of the Debtor shall be dissolved and shall be replaced by New Board members for the Reorganized Debtor who shall be identified in a Plan Supplement filed with the Bankruptcy Court for consideration in connection with confirmation of the Plan.

### 6.7 *Post-Effective Date Management.*

The Reorganized Debtor's Post-Effective Date Management shall consist of the following:

(a) **Temporary Operator.**

Commencing on the Effective Date, IMC's new CRO, Melanie Cyganowski, shall be IMC's temporary operator pursuant to New York Public Health Law § 2806-a (the "**Temporary Operator**"). The Temporary Operator shall operate the Reorganized Debtor, including the Hospital and Clinics. On behalf of the Reorganized Debtor, the Temporary Operator shall implement the Plan and the Work Plan approved by DOH. Pursuant to the Work Plan, the Hospital shall be reorganized. The Work Plan may include the expansion, reduction, restructuring, reorganization, cessation, or transfer of operations and services. The Work Plan shall conform to the goals set forth in DSRIP, New York's Delivery System Reform Incentive Payment Plan, which include reducing preventable hospitalizations and emergency department visits while increasing both the quality and delivery of healthcare to patients and their communities. More information is available at *http://www.health.ny.gov/health_care/medicaid/redesign/delivery_system_reform_incentive_payment_program.htm*.

DOH and DASNY have determined Ms. Cyganowski is well-qualified to support and direct the Reorganized Debtor as the Temporary Operator ~~or~~for the following reasons, among others. She will have been IMC's CRO since March 2014. Ms. Cyganowski has an outstanding reputation and extensive experience in the restructuring field. Ms. Cyganowski is now a partner at Otterbourg P.C. in its creditors' rights and insolvency group. Prior to joining Otterbourg, Ms. Cyganowski served as a United States Bankruptcy Judge for the Eastern District of New York for fourteen years. As a judge, Ms. Cyganowski oversaw many different kinds of cases, ranging from individual bankruptcies to large corporate cases. In 2007, Ms. Cyganowski left the bench to join Greenberg Traurig and subsequently became a member of Otterbourg PC. In addition, Ms. Cyganowski also served as the chapter 11 trustee and operator of Batavia Nursing Home, LLC. Given her qualifications and experience, DOH and DASNY believe Ms. Cyganowski has the requisite skills and background to serve as the Temporary Operator.

(b) **Post-Effective Date CEO.**

On the Effective Date, Steven Korf, shall continue as Reorganized Debtor's Chief Executive Officer and be responsible for running the Reorganized Debtor's day-to-day operations. Mr. Korf is a founding partner of ToneyKorf Partners LLC, a business advisory firm. Mr. Korf will have served as IMC's CEO since March 2014. Mr. Korf served as chief operating officer of Brookdale Hospital and Medical Center from April 2012 until March 2014. Prior to founding ToneyKorf Partners LLC, Mr. Korf was a partner in the Corporate Advisory and Restructuring Services practice of Grant Thornton LLP, a Managing Director in the Corporate Advisory Services practice at Huron Consulting, and spent 20 years in private industry in various C-level positions. Mr. Korf also currently serves as the President and CEO of the post-emergence Saint Vincent Catholic Medical Centers and served as its CFO during a portion of its chapter 11 reorganization efforts. In addition, Mr. Korf served as CFO of Long Island College Hospital and has provided interim management and advisory services to other financially troubled hospitals. DOH and DASNY have determined Mr. Korf's experience working with financially troubled hospitals provides him with the appropriate background to serve as the Reorganized Debtor's CEO.

(c) **Post Effective Date CFO.**

On the Effective Date, the Reorganized Debtor's Chief Financial Officer shall be Robert Mariani. Mr. Mariani has served as the Debtor's Chief Financial Officer since October 2011. Prior to joining IMC, Mr. Mariani served as a finance consultant at Saint Vincents Catholic Medical Center of New York and Wyckoff Heights Medical Center. Mr. Mariani is familiar with the Debtor's finances and operations. DOH and DASNY have determined Mr. Mariani is well-qualified to serve as the Reorganized Debtor's CFO.

### 6.8 *The Liquidating Trust and Liquidating Trustee*

(a) **The Liquidating Trust.**

As of the Effective Date, the Liquidating Trust shall be established and receive the following IMC assets: (i) $200,000 in Cash to be paid from funds provided by DASNY to the Debtor from the DIP Facility; (ii) the right to pursue on behalf of the Debtor's Estate the following causes of action of IMC: (A) any causes of action against (1) Kurron Shares of America, Inc., including without limitation, for the return of any prepetition or postpetition fees, not released under the Stipulation and Order, dated May 3, 2013 [Docket No. 446] or (2) any officer of the Debtor, other than Robert Mariani, provided to the Debtor by Kurron Shares of America, Inc., but solely to the extent any such cause of action against any such officer would be satisfied by insurance; (B) any causes of action not released under the Plan identified in the Plan Supplement; and (C) the avoidance actions (i.e., actions under chapter 5 of the Bankruptcy Code) identified in the Plan Supplement;, that are expected to have an aggregate face amount of more than $10 million;[10] and (iii) reasonable and free use of and access to reasonable space in the Hospital for administrative purposes until March 31, 2015, subject to the ability of the Reorganized Debtor to operate the Hospital and bearing in mind any operations of the Hospital in that space; provided, however, that after reasonable notice, the Reorganized Debtor or DASNY's designee (as applicable) shall be able to move or evict the Liquidating Trust from any such space to the extent necessary in the business judgment of the Reorganized Debtor or DASNY's designee (as applicable). The Liquidating Trust assets shall include potential causes of action against all but one of the officers of IMC supplied by Kurron Shares of America, Inc., solely to the extent any such causes of action against any such officer would be satisfied by insurance, but no causes of action against any of the Debtor's other officers and directors.

The Liquidating Trust shall be responsible for: (i) liquidation of those assets; (ii) resolution of all Class 6 Claims to be satisfied by the Liquidating Trust; (iii) pursuit of any causes of action assigned to the Liquidating Trust; (iv) making any and all distributions by the Liquidating Trust provided for under the Plan; (v) the Liquidating Trust's administration; and (vi) payment of the Liquidating Trust's fees and expenses. The fees and expenses of the Liquidating Trust shall be satisfied solely out of the net proceeds from the Liquidating Trust's assets. Such fees and expenses shall be fully paid or reserved prior to the Liquidating Trust making any Distributions under the Plan. The Bankruptcy Court shall retain jurisdiction to

[10] A nonexclusive list of all potential avoidance actions that might be pursued by the Reorganized Debtor and/or assigned to the Liquidating Trust is set forth in Exhibit 7. The list excludes payments made during the preference period: (a) to professionals holding retainers; (b) to employees for salaries and expense reimbursements; and (c) related to preference actions already commenced by the Debtor.

review such fees and expenses if challenged. Additionally, if Class 6 rejects the Plan, then no Distribution may be made from the Liquidating Trust on Allowed Class 6 Claims unless and until the Disbursement Agent has determined there are sufficient funds otherwise available or reserved under the Plan for all Allowed Administrative Claims and Allowed Claims in Classes 1, 2, and 3. If there are not sufficient funds otherwise available, then any funds that would have been available for Distribution on all Allowed Class 6 Claims from the Liquidating Trust first shall be used to satisfy such other Allowed Claims.

(b) **The Liquidating Trustee.**

The Plan and/or Confirmation Order shall provide for the appointment of the Liquidating Trustee on the Effective Date. The Liquidating Trustee shall be bonded in the amount of 150% of Cash in the Liquidating Trust. The Liquidating Trustee shall be entitled to seek such orders, judgments, injunctions, and rulings from the Bankruptcy Court, in addition to those specifically listed in the Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to, the Liquidating Trust Agreement. The Liquidating Trustee shall have the responsibilities specified in the Plan and the Liquidating Trust Agreement. The Bankruptcy Court shall retain jurisdiction to enter orders, judgments, injunctions, and rulings concerning the Liquidating Trust, including in any causes of action the Liquidating Trust may bring or continue. The Liquidating Trust shall pursue those claims, rights, and causes of action assigned to the Liquidating Trust in accordance with its best interests and fiduciary duties.

**6.9** ***The Disbursement Agent.***

The Disbursement Agent shall be appointed by DASNY on or before the Effective Date. The Disbursement Agent shall make Distributions on all Allowed Claims, except Distributions from the Liquidating Trust on Allowed Class 6 Claims from funds reserved or held in segregated accounts established pursuant the Plan and perform such other functions as are assigned to the Disbursement Agent pursuant to the Plan.

**6.10** ***Sources and Uses of Plan Funding.***

The projected available sources and uses of Cash under the Plan are provided in Exhibit 4. As to the sources of Plan funding, DASNY expects that: (a) the existing $45.1 million DIP Facility, of which only approximately $30 million will be drawn prior to the Effective Date; (b) an anticipated increase in the amount available under that DIP Facility; and (c) ~~the~~ other sources of cash available (i.e., the Indemnity Reserve Fund and the Professional Fee Reserve) collectively will provide sufficient funding to satisfy all fixed payment obligations provided for under the Plan plus the high end of the estimated ranges of Allowed Administrative Claims and Allowed Claims in Classes 1, 2, and 3 under the Plan.

In the unlikely event sufficient funding is not available or reserved for payment in full of any subset of Allowed Administrative Claims or Allowed Claims in Classes 1, 2, and 3 under the Plan, then additional funds for payment of such Allowed Claims shall be available from the following sources in the following order of priority:

(x) excess funds available or reserved for any other subset of Allowed Administrative Claims or Allowed Claims in Classes 1, 2, or 3;

(y) net proceeds from any of the Debtor's avoidance actions or other causes of action that are retained by the Reorganized Debtor; and

(z) if Class 6 rejects the Plan, funds that otherwise would have been available from the Liquidating Trust for Distributions on Allowed Class 6 Claims.

**6.11** ***Use of Restricted Funds.***

Notwithstanding any applicable restrictions or limitations established by a grantor or under state law, as of the Effective Date, all restricted funds held by the Debtor (i.e., charitable contributions to IMC or a predecessor as to which the party making the bequest placed a restriction on use related to providing health care services) may be used by the Reorganized Debtor with the sole limitation that such restricted funds may be used solely for the provision of healthcare in IMC's community, and without the necessity for any further notice or approval of the Bankruptcy Court and/or any other court and notwithstanding any applicable state or other statute, case law, or regulation. Currently, IMC has approximately $1.2 million of restricted funds.

**6.12** ***General Claims Distribution Mechanics.***

(a) Distributions Only on Allowed Claims. Notwithstanding anything herein to the contrary, no Distribution shall be made on account of a Disputed Claim until such Disputed Claim becomes an Allowed Claim.

(b) No Recourse. No Claim holder shall have recourse to the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (or any property thereof), other than regarding enforcement of rights or Distributions under the Plan.

(c) Method of Cash Distributions. Any Cash payment to be made pursuant to the Plan will be in U.S. dollars and may be made by draft, check, or wire transfer, in the sole discretion of the Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable), or as otherwise required or provided in any relevant agreement or applicable law.

(d) No Distributions on Non-Business Days. Any payment or Distribution due on a day other than a Business Day may be made, without interest, on the next Business Day.

(e) No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary in the Plan, no holder of an Allowed Claim shall receive respecting such Claim any Distribution in excess of the Allowed amount of such Claim.

(f) Disputed Payments. If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any Distribution, the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable), may, in lieu of making such Distribution to such Person, make such Distribution into a segregated account until the disposition thereof shall be determined by Court order or by written agreement among the interested parties.

(g) Unclaimed Property. The Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable), shall hold any Unclaimed Property (and all interest, dividends, and other distributions thereon), for the benefit of the holder of the Claim entitled thereto under the Plan. At the end of 180 days following the relevant Distribution Date of the applicable Distribution, the holder(s) of Allowed Claims to that point entitled to Unclaimed Property held pursuant to the Plan shall be deemed to have forfeited such property, whereupon all right, title and interest in and to such property shall immediately and irrevocably be retained by the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust, as applicable, and such holder(s) shall cease to be entitled thereto. The Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) shall have no obligation to attempt to locate any holder of an Allowed Claim other than by reviewing the Debtor's books and records, proofs of Claim filed against the Debtor, or relevant registers maintained for such Claims.

(h) Distribution Minimum. None of the Disbursement Agent, the Debtor, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) shall be obligated to make a Distribution of less than $20.00 in Cash until the final Distribution on a Claim.

(i) Creditor Information. Each holder of an Allowed Claim shall be required to provide to the Debtor (before the Effective Date) or the Disbursement Agent or Liquidating Trustee (as applicable after the Effective Date) with: (i) written notice of any change of address; and (ii) such holder's federal I.D. number. No Distribution shall be required to be made under the Plan absent receipt by the Debtor, Liquidating Trustee, or Disbursement Agent (as applicable) of such information.

**6.13 *Withholding Taxes.***

Any federal or state withholding taxes or other amounts required to be withheld under any applicable law shall be deducted and withheld from any Distributions under the Plan. All Persons holding Claims shall be required to provide any information necessary to effect the withholding of such taxes. Notwithstanding any other provision of the Plan, each holder of an Allowed Claim that is to receive a Distribution of Cash pursuant to the Plan shall have the sole and exclusive responsibility for satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution.

**6.14 *Exemption from Certain Transfer Taxes.***

To the fullest extent permitted by applicable law, all sale transactions consummated by the Debtor and approved by the Bankruptcy Court on and after the Confirmation Date through and including the Effective Date, including the transfers effectuated under the Plan, the sale by the Debtor of any owned property pursuant to section 363(b) or 1123(b)(4) of the Bankruptcy Code, any assumption, assignment, and/or sale by the Debtor of its interests in unexpired leases of non-residential real property or executory contracts pursuant to section 365(a) of the Bankruptcy Code, and the creation, modification, consolidation or recording

of any mortgage pursuant to the terms of the Plan or ancillary documents, shall constitute a "transfer under a plan" within the purview of section 1146 of the Bankruptcy Code, and shall not be subject to any stamp, real estate transfer, mortgage recording, or similar tax.

**6.15 *Setoffs and Recoupments.***

The Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off and/or recoup against any Allowed Claim, and the distributions to be made pursuant to the Plan on account of such Allowed Claim, any and all claims, rights, and causes of action the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may hold against the holder of such Allowed Claim after the Effective Date (with the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust being able to exchange setoff and/or recoupment rights without prejudice to the Estate's rights of setoff or recoupment). Neither the failure to effect a setoff or recoupment nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) of any and all claims, rights, and causes of action that either may possess against such holder.

HHS asserts that the Plan may not limit the setoff and recoupment rights of HHS as provided by law respecting the Debtor's Medicare provider agreements. HHS asserts it has recoupment rights of approximately $8.2 million ~~respecting~~that can be applied against Medicare ~~payment~~payments due to IMC and approximately $7.4 million ~~respecting~~that can be applied against Medicaid payments due to IMC. While IMC does not concede those recoupment rights, IMC's Financial Projections annexed hereto as Exhibit 5 assume such recoupment rights are exercised.

**6.16 *Insurance Preservation and Proceeds.***

Nothing in the Plan, including any releases, shall diminish or impair the enforceability of any policies of insurance that cover claims against the Debtor or any other Person.

**6.17 *Discharge.***

(a) **Scope.**

Except as otherwise expressly provided in the Plan or the Confirmation Order, in accordance with section 1141(d)(1) of the Bankruptcy Code, entry of the Confirmation Order will act as a discharge, subject to occurrence of the Effective Date, of all debts of, Claims against, and liens on the Debtor or its assets or properties, which debts, Claims, and liens arose at any time before the entry of the Confirmation Order. The discharge of the Debtor shall be effective as to each Claim, regardless of whether a proof of claim therefor was filed, whether the Claim is an Allowed Claim, or whether the holder thereof votes to accept the Plan. On the Effective Date, as to every discharged Claim, any holder of such Claim shall be precluded from asserting against the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust, or the assets or properties of the Debtor, DASNY,

DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable), any other or further Claim based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

(b) **Injunction.**

In accordance with section 524 of the Bankruptcy Code, the discharge provided by the Plan and section 1141 of the Bankruptcy Code will, *inter alia,* act as an injunction against the commencement or continuation of any action, employment of process, or act to collect, offset or recover the debts, Claims, and liens so discharged.

(c) **Releases of Liens.**

Unless a particular Claim is reinstated: (i) each holder of a Claim that is purportedly secured shall, on or immediately before the Effective Date and as a condition to receiving any Distribution under the Plan: (A) turn over and release to DASNY's designee or the Reorganized Debtor, as applicable, any and all property of the Debtor or the Estate that secures or purportedly secures such Claim; and (B) execute such documents and instruments as DASNY's designee or the Reorganized Debtor, as applicable, requires to evidence such claimant's release of such property; and (ii) on the Effective Date (or such other date described in this subsection), all claims, right, title, and interest in such property shall be assigned or revert to DASNY's designee or the Reorganized Debtor, as applicable, free and clear of all Claims, including (without limitation) liens, claims, charges, pledges, encumbrances, and/or interests of any kind. All liens of the holders of such Claims on property of the Debtor, the Estate, and/or the Reorganized Debtor shall be deemed to be canceled and released as of the Effective Date (or such other date described in this subsection). Notwithstanding the immediately preceding sentence, any such holder of a Disputed Claim shall not be required to execute and deliver such release of liens until ten (10) days after such Claim becomes an Allowed Claim or a Disallowed Claim. To the extent any holder of a Claim fails to release the relevant liens as described above, DASNY's designee or the Reorganized Debtor, as applicable, may act as attorney-in-fact, on behalf of the holder of such liens, to provide any releases required for any purpose.

**6.18 *Vesting and Either Retention or Assignment of Causes of Action.***

Except as otherwise expressly provided for in the Plan or the Confirmation Order, on the Effective Date, all property of the Estate shall either be vested in and: (i) retained by the Reorganized Debtor; or (ii) assigned to the Disbursement Agent, DASNY's designee, or the Liquidating Trust, as applicable, free and clear of all Claims, liens, claims, charges, pledges, encumbrances, and/or interests of any kind of holders of Claims, except for the rights to Distribution afforded to holders of certain Claims under the Plan. After the Effective Date, the Disbursement Agent, DASNY, DASNY's designee, the Liquidating Trust, and the Reorganized Debtor shall have no liability to holders of Claims other than as provided for in the Plan or the Confirmation Order.

Except as otherwise provided for in the Plan or the Confirmation Order, or in any contract, instrument, release, or other agreement entered into in connection with the Plan or by order of the Bankruptcy Court, in accordance with section 1123(b) of the Bankruptcy Code, the

Reorganized Debtor shall retain and may enforce any claims, rights, and causes of action the Debtor or the Estate holds. Those causes of action shall not include the causes of action to be assigned to the Liquidating Trust pursuant to the Plan. All such causes of action shall be listed in the Plan Supplement.

As of the Effective Date, the Reorganized Debtor may operate its business and use and acquire assets, and settle and compromise claims or interests without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and/or Confirmation Order.

**6.19 *Treatment of Certain Indemnification Obligations.***

The obligations of the Debtor to indemnify individuals who now serve or served on or after the Petition Date as its trustees~~,~~ and/or officers, pursuant to the Debtor's operating agreements, certificates of incorporation, by-laws, applicable statutes, ~~and~~or pre-confirmation agreements as well as any order of the Bankruptcy Court, respecting all present and future actions, suits, and proceedings against any of such trustees or officers, based upon any act or omission in such~~ individual's~~ capacity in providing such service with the Debtor on or before the Effective Date, as such obligations were in effect at the time of any such act or omission, shall be performed and honored by the Disbursement Agent from and to the extent of available funds held in a segregated account established solely for such purpose for a period no longer than three years after the Effective Date, up to an aggregate amount ~~to be set forth in the Plan Supplement,~~of $1,000,000, regardless of whether the underlying claims for which indemnification is sought are released pursuant to the Plan; provided, however, such indemnification obligations to be performed and honored by the Disbursement Agent shall not include: (a) ~~Indemnification~~indemnification Claims based on ~~claims arising prepetition that are~~causes of action assigned to the Liquidating Trust under the Plan, but solely to the extent ~~such claims are found by~~ a Final Order ~~to entitle~~finds the Liquidating Trust is entitled to recovery on such ~~claims~~causes of action; (b) ~~Indemnification~~indemnification Claims to the extent ~~covered~~reimbursed by third party insurance; (c) ~~Indemnification~~indemnification Claims to the extent found by a Final Order to be based on Claims that are the result of fraud, gross negligence, or willful misconduct; ~~or~~and (d) ~~Indemnification~~indemnification Claims by any individual dismissed for cause from his or her position as a trustee or officer of the Debtor. Any individual who receives reimbursement for indemnification pursuant to Section 9.4 of the Plan shall waive any right to assert or receive Distributions in respect of any Administrative Claim or Priority Claim for indemnification: (x) for the same amount(s) paid to such individual pursuant to Section 9.4 of the Plan; and (y) based on any prepetition acts or omissions.

**6.20 *Releases, Injunctions, and Related Provisions.***

(a) **Satisfaction of Claims.**

The treatment provided for Allowed Claims pursuant to the Plan shall be in full and final satisfaction, settlement, release, and discharge of such Claims.

(b) **Release of Debtor's Claims Against Released Parties Other Than Claims Based on Fraud, Gross Negligence, or Willful Misconduct, or Against Kurron Shares of America, Inc.**

*"Released Parties" include the Debtor, the Creditors' Committee, the Ombudsman, and DASNY, and any of their current or former agents, representatives, directors, trustees, officers (including, without limitation, for the Debtor, Melanie Cyganowski as CRO- and, Steven Korf as Chief Executive Officer, and Robert Mariani as Chief Financial Officer), members, sponsors, managers, attorneys, accountants, financial advisors, or other professionals, solely in such capacities.*

*Except as otherwise expressly set forth in the Plan or the Confirmation Order, as of the Effective Date, for good and valuable consideration provided by each of the Released Parties, including good faith settlement and compromise of the claims released by the Plan and the services of the Debtor's officers, directors, trustees, managers, attorneys, and advisors facilitating expeditious implementation of the Plan, the Debtor and debtor in possession and any person seeking to exercise the rights of the Debtor's Estate, including, without limitation, the Liquidating Trustee, the Reorganized Debtor, any successor to the Debtor, or any representative of the Debtor's Estate appointed or selected pursuant to sections 1103, 1104, or 1123(b)(3) of the Bankruptcy Code or under chapter 7 of the Bankruptcy Code, shall be deemed to conclusively, absolutely, unconditionally, irrevocably, and forever release and waive, and shall be deemed to have provided a full release to each Released Party and its respective property from all claims (as such term "claim" is defined in section 101(5) of the Bankruptcy Code), obligations, debts, suits, judgments, damages, demands, rights, causes of action, remedies and liabilities whatsoever, (other than all rights, remedies, and privileges to enforce the Plan or any agreement entered into in connection with the Plan or regarding claims expressly preserved under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise that are based on, related to, or in any manner arising from, in whole or in part, any act, omission, transaction, event, or other occurrence taking place at any time up to immediately prior to the Effective Date in any way relating to the Debtor, the Reorganized Debtor, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between the Debtor and any Released Party, the restructuring of Claims prior to or in the Chapter 11 Case, the parties released pursuant to section 9.15(b) of the Plan, the Chapter 11 Case, the Plan or the Disclosure Statement, or any related contracts, instruments, releases, agreements, or documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, and that could have been asserted by or on behalf of the Debtor, the debtor in possession, or its Estate, or any of its affiliates, whether directly, indirectly, derivatively, or in any representative or any other capacity, individually or collectively, in their own right or on behalf of the holder of any Claim or other entity, against any Released Party; provided, however, in no event shall anything described in this section (as specified in section 9.15(b) of the Plan) be construed as a release of: (i) claims and causes of action based on any Released Party's fraud, gross negligence, or willful misconduct, as determined by a Final Order of the Bankruptcy Court; or (ii) claims or causes of action against: (A) Kurron Shares of America, Inc., including without limitation, for the return of any prepetition or postpetition fees, to the extent not released under the Stipulation and Order, dated May 3, 2013 [Docket No. 446], or any other agreement*

*binding on the Debtor; or (B) any officer of the Debtor, other than Robert Mariani, provided to the Debtor by Kurron Shares of America, Inc., but solely to the extent any such cause of action would be satisfied by insurance.*

(c) **Releases by Claim Holders.**

*As of the Effective Date, to the fullest extent permitted by law, each former or current holder of a Claim shall, in consideration for the obligations of the Debtor, Reorganized Debtor, DASNY, DASNY's designee, and Liquidating Trustee under the Plan and the distributions, releases, and other agreements or documents to be delivered in connection with the Plan, be deemed to have forever released and waived the Released Parties from all claims, demands, debts, rights, causes of action, remedies or liabilities (other than the right to enforce the Debtor's, the Reorganized Debtor's, or the Liquidating Trustee's obligations under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or in part on any act or omission, transaction, event, or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date) in any way relating to the Debtor, the Reorganized Debtor, the Chapter 11 Case, the Plan, the Confirmation Order, or this Disclosure Statement, in each case at any time up to immediately prior to the Effective Date; provided, however, that such release by Claim holders shall not cover causes of action based on IMC'S inability to fund its obligations under the so-called indemnity letters for medical malpractice coverage issued pre-petition to Covered Persons, but solely to the extent any such causes of action may be satisfied by insurance.*

(d) **Releases by and of DASNY.**

*Except as otherwise expressly set forth in the Plan or the Confirmation Order, as of the Effective Date, DASNY (as DIP Lender and Prepetition Lender), on the one hand, and the Debtor, Reorganized Debtor, and Liquidating Trust, on the other, shall mutually release each other (and each other's respective officers, directors, trustees, employees, members, managers, attorneys, and advisors, each in its capacity as such) from any and all claims and obligations (other than to enforce obligations under the Plan or Confirmation Order), including, for the avoidance of doubt: (1) any claims by DASNY as DIP Lender for repayment of the DIP Facility; (2) any Challenge (as defined in the DIP Order) respecting prepetition lien and claim matters; (3) any such claim on behalf of the Debtor's Estate that could be asserted by any party-in-interest with standing and requisite authority on behalf of the Debtor's Estate, including, without limitation, the Creditors' Committee; (4) any obligations of DASNY respecting the DIP Financing, including the Carve-Out; and (5) any claims, rights, and causes of action related to the transfer to the Liquidating Trust of control of any of the Debtor's assets.*

(e) **General Injunction.**

*Except as otherwise expressly provided in the Plan or Confirmation Order, as of the Effective Date, any Person that held or holds a Claim shall be permanently enjoined from taking any of the following actions against the Debtor, the Ombudsman, the Creditors' Committee or members thereof, DASNY, or present and former directors, officers, trustees, agents, advisors, attorneys, members, or employees of any such entity, each in its capacity as*

*such, or any of their respective successors or assigns, on account of any Claim: (1) commencing or continuing in any manner any action or other proceeding respecting a Claim; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order respecting a Claim; (3) creating, perfecting, or enforcing any lien or encumbrance respecting a Claim; (4) asserting a setoff, right of subrogation, or recoupment of any kind respecting a Claim, the assets or other property of the Estate; and (5) commencing or continuing any action that does not comply with or is inconsistent with the Plan; provided, however, that nothing in such injunction shall preclude the holder of a Claim from pursuing (i) third-parties or third-party insurance that does not cover Claims against the Debtor; or (ii) claims or causes of action based on IMC's inability to fund its obligations under so-called indemnity letters for medical malpractice coverage issued pre-petition solely to the extent any such causes of action ~~may~~would be satisfied by insurance.*

(f) **Covered Person Claims Injunction.**

*As defined in the Plan, Covered Person means a physician, resident, fellow, nurse, or other employee of the Debtor who is entitled to indemnification by the Debtor. Except as otherwise expressly provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons shall be permanently enjoined from commencing or continuing any action or proceeding or from enforcing or collecting any judgment or order respecting a Covered Person Claims (i.e., any medical malpractice related claim or action against any Covered Person related to a Prepetition or Postpetition Medical Malpractice Claim); provided however, that such injunction shall not extend to pursuit of or recovery on such claims to the extent of recoveries against any available insurance. Any Covered Person Claim shall be channeled to and (other than recoveries from insurance) receive recoveries solely under the Plan pursuant to section 4.2 of the Plan if related to a Postpetition Medical Malpractice Claim or section 5.6(b) of the Plan if related to a Prepetition Medical Malpractice Claim. In exchange for this injunction: (i) each Covered Person shall be deemed to waive any Indemnification Claim against the Debtor; and (ii) each Covered Person seeking the benefit of such protection from Prepetition Medical Malpractice Claims shall make, or have made on his or behalf, an agreed upon financial contribution to the Covered Persons Fund as listed in the Plan Supplement..*

(g) **Exculpation.**

*None of the Released Parties shall have or incur any liability to any former or current holder of any Claim or any member of ~~or,~~, representative of, or any organization speaking for the Debtor's community for any prepetition or postpetition act or omission in connection with, or arising out of the Debtor's restructuring, including without limitation, the negotiation and execution of the Plan, the Chapter 11 Case, the Disclosure Statement, the dissemination of the Plan, the solicitation of votes for and the pursuit of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all prepetition or postpetition activities taken or omission in connection with the Plan or the restructuring of the Debtor, except for liability based on fraud, gross negligence, or willful misconduct, each as determined by a Final Order. The Released Parties shall be entitled to rely upon the advice of counsel respecting their duties and responsibilities under the Plan; provided, however, solely to*

*the extent that it would contravene Rule 1.8(h)(1) of the New York Rules of Professional Conduct or any similar ethical rule of another jurisdiction, if binding on an attorney of a Released Party, no attorney of any Released Party shall be released by the Debtor or the Reorganized Debtor.*

(h) **Injunction Related to Exculpation.**

*The Plan and the Confirmation Order shall permanently enjoin the commencement or prosecution by any ~~person or entity~~Person, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities released pursuant to section 9.5(~~h~~g) of the Plan.*

**6.21** ***Retention of Jurisdiction.***

The Bankruptcy Court (and if the Bankruptcy Court cannot or will not adjudicate, the United States District Court for the Eastern District of New York) shall retain exclusive jurisdiction to adjudicate any and all claims or causes or action: (a) against any Released Party in its capacity as such; (b) relating to the Debtor, the Plan, the Distributions, the Chapter 11 Case, or any contract, instrument, release, agreement or document executed and delivered in connection with the Plan; and (c) brought by or on behalf of the Debtor (or any successor thereto, including the Reorganized Debtor), the Liquidating Trustee, or any holder of a Claim regarding such Claim, including, without limitation, any request to enforce releases, exculpations, and/or injunctions provided for in the Plan or Confirmation Order.

**6.22** ***Objections to Claims.***

Unless otherwise ordered by the Bankruptcy Court, objections to Claims shall be filed and served on the applicable holder of such Claim not later than 180 days after the later to occur of: (a) the Effective Date; and (b) the filing of the relevant Claim. Such time period may be extended by the Bankruptcy Court.

After the Confirmation Date, only DASNY, the Disbursement Agent, DASNY's designee, the Debtor (only to the Effective Date), and the Reorganized Debtor shall have the authority to file, settle, withdraw, or litigate to judgment objections to Claims, except that after the Effective Date, the Liquidating Trust will have such authority as to Class 6 Claims. From and after the Effective Date, only the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may settle any Disputed Claim without Bankruptcy Court approval.

**6.23** ***New Bar Dates for Filing Certain Claims.***

(a) **Fee Claims Filing Deadline.**

All applications for payment of Fee Claims that accrued on or before the Confirmation Date must be filed with the Bankruptcy Court by the date that is thirty (30) days after the Effective Date (or, if such date is not a Business Day, by the next Business Day thereafter). Any Person that fails to file such an application on or before such date shall be forever barred from asserting such Claim against the Debtor, the Reorganized Debtor, the Disbursement Agent, DASNY, DASNY's designee, or the Liquidating Trust (as applicable), or

its 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 Claim.

Requests for payment of Fee Claims incurred after the Confirmation Date may be included in such applications or otherwise be made within a reasonable period after incurrence.

(b) **Other Administrative Claims Bar Date.**

Requests for payment of Administrative Claims, other than Fee Claims and Postpetition Medical Malpractice Claim, for which a Bar Date was not previously established or established by the Plan must be filed no later than thirty (30) days after service of notice of entry of the Confirmation Order, or such later date as may be established by order of the Bankruptcy Court. Holders of Administrative Claims that do not file such requests by the applicable Bar Date shall be forever barred from asserting such Claims against DASNY, DASNY's designee, the Debtor, the Reorganized Debtor, or the Liquidating Trust (as applicable), any successor thereto, and the holder of any such Claim shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset, or recover any such Administrative Claim.

(c) **Extended Bar Date for Prepetition Medical Malpractice Claims Concerning Which Related Covered Person Claims Will Be Released Under The Plan and Bar Date for Postpetition Medical Malpractice Claims.**[9][11]

Each Person that asserts a Prepetition Medical Malpractice Claim or Postpetition Medical Malpractice Claim must file proof of such Claim so that it is actually received by the Debtor's Claims Agent on or before 5:00 p.m. on the date that is ninety (90) days after the Effective Date unless such a proof of claim already was timely filed in the Chapter 11 Case. Each Person that holds such a Claim and who is required, but fails, to file a proof of claim on or before such deadline, shall: (i) be forever barred, estopped, and permanently enjoined from asserting such Claim (or filing a proof of claim with respect thereto); (ii) release any Covered Person, its successors, and properties from any and all indebtedness and/or liability respecting any Covered Person Claim related to such Medical Malpractice Claim and be subject to the Covered Person Claim Injunction in Section 9.5(f) of the Plan; (iii) not be permitted to participate in any Distribution under the Plan on account of such Prepetition or Postpetition Medical Malpractice Claim or Covered Person Claims; and (iv) not be entitled to receive any further notice in the Chapter 11 Case regarding such Claim.

(d) **Bar Date for Lease and Contract Rejection Claims.**

The Bar Date for Claims based on leases and contracts rejected pursuant to the Plan is covered by Section 10.3 of the Plan and described in section 6.23(c) of this Disclosure Statement.

[9][11] There is no extension of the Bar Date for any prepetition Claims other than Prepetition Medical Malpractice Claims.

**6.24** ***Late Filed Claims.***

Any Claim filed after any applicable Bar Date, shall be deemed Disallowed and expunged in its entirety without further order of the Bankruptcy Court or any action being required on the part of the Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) unless the Person or entity seeking to file such untimely Claim has received Bankruptcy Court authority to do so.

**6.25** ***Amendments to Claims.***

After the Confirmation Date, a Claim for which an applicable Bar Date, if any, has passed may not be filed or amended without the authorization of the Bankruptcy Court. Unless otherwise provided herein, or otherwise consented to by the Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) any Claim or amendment to a Claim, which Claim or amendment is filed after the Confirmation Date, shall be deemed Disallowed in full and expunged without any action by the Debtor, the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trust (as applicable) unless the holder of such Claim has obtained Bankruptcy Court authorization for such filing.

**6.26** ***Estimation of Claims.***

The Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (solely as to Class 6 Claims), as applicable, may, at any time, request that the Bankruptcy Court estimate any Claim not expressly Allowed under the Plan and otherwise subject to estimation under section 502(c) of the Bankruptcy Code and for which the Debtor may be liable under the Plan, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim pursuant to section 502(c). If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount would constitute either: (a) the Allowed amount of such Claim; or (b) a maximum limitation on such Claim, in which case the Debtor (until the Effective Date), the Disbursement Agent, DASNY, DASNY's designee, the Reorganized Debtor, or the Liquidating Trustee (as applicable) may elect to pursue supplemental proceedings to object to the ultimate Allowed amount of such Claim, to be determined by the Bankruptcy Court. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

**6.27** ***Executory Contracts and Unexpired Leases.***

(a) **Assumption and Rejection.**

Subject to the occurrence of the Effective Date, all of the Debtor's executory contracts and leases not: (i) previously rejected by the Debtor; or (ii) designated by DASNY, DASNY's designee, or the Reorganized Debtor as set forth in the Plan Supplement or such other mechanism as is approved by the Bankruptcy Court and assumed by the Debtor, shall be rejected as of the Petition Date or Confirmation Date (as applicable) or such other date designated by DASNY, DASNY's designee, or the Reorganized Debtor (as applicable) with such date to be

specified on or prior to the Effective Date or as otherwise agreed to with the counterparty to such executory contract or lease; provided, however, that the Debtor's collective bargaining agreements with: (i) the New York State Nurses Association; and (ii) 1199SEIU United Healthcare Workers East shall not be rejected under the Plan and will be assumed ~~if and only if first amended on terms acceptable to DASNY~~.

Entry of the Confirmation Order, subject to the occurrence of the Effective Date, shall constitute: (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption or the assumption and assignment of the executory contracts and unexpired leases assumed or assumed and assigned under the Plan; and (ii) the approval, pursuant to sections 365(a) and 1123(b)(2), of rejection of the executory contracts and unexpired leases rejected under the Plan.

(b) **Cure Matters.**

At the election of DASNY, DASNY's designee, or the Reorganized Debtor (as applicable), any monetary defaults under each executory contract and unexpired lease to be assumed under the Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code, by either: (i) payment of the Cure Amount (e.g., the default amount) in Cash on or as soon as reasonably practicable after the later to occur of (A) thirty (30) days after the determination of the Cure Amount and (B) the Effective Date or such other date as may be set by the Bankruptcy Court; or (ii) satisfaction on such other terms as agreed to by the Debtor or Reorganized Debtor and the non-Debtor party to such executory contract or unexpired lease, subject to the prior written consent of DASNY, DASNY's designee, or the Reorganized Debtor.

HHS asserts that the cure for assumption of a Medicare provider agreement is participation in the Medicare program in the ordinary course of business, subject to the terms and conditions of the Medicare provider agreement and the incorporated Medicare statutes, regulations, policies, and procedures, including successor liability respecting any Medicare liabilities.

In the event of a dispute regarding: (i) the Cure Amount; (ii) the ability of the Reorganized Debtor or DASNY's designee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (iii) any other matter pertaining to the assumption of an executory contract or unexpired lease, the cure payment required by section 365(b)(1) of the Bankruptcy Code shall be made only following entry of a Final Order resolving such dispute and approving the assumption of such executory contract or unexpired lease. A Cure Dispute shall not delay the occurrence of the Effective Date.

(c) **Bar Date for Rejection Damages Claims.**

Claims arising out of the rejection of an executory contract or unexpired lease must be filed with the Bankruptcy Court no later than thirty (30) days after the later of: (a) the Effective Date; or (b) the date of the Debtor's or Reorganized Debtor's, as applicable, notice of determination to reject an executory contract or unexpired lease. Any Claim not filed within

such time period shall be forever barred from assertion against the Debtor, the Reorganized Debtor, or the Liquidating Trust, as applicable.

**6.28** ***Conditions Precedent to Confirmation and Consummation of the Plan.***

(a) **Conditions Precedent to Confirmation.**

Confirmation of the Plan is subject to the following conditions having been satisfied or waived pursuant to the provisions of Article VIII of the Plan:

(i) entry of the Confirmation Order, which shall be in form and substance reasonably satisfactory to the Debtor and DASNY;

(ii) availability of and binding commitments to provide funding for consummation of the Plan, including the following:

(A) the amounts proposed by DASNY to be provided under the DIP Facility and approved by the Bankruptcy Court to be reserved for payment by the Disbursement Agent of all Allowed Administrative Claims (including Postpetition Medical Malpractice Claims) and all Allowed Claims in each of Classes 1, 2 and 3;

(B) the $200,000 of funding for the Liquidating Trust to be provided by DASNY to the Debtor pursuant to the DIP Facility for transfer to the Liquidating Trust on the Effective Date; and

(C) the initial funding for the Reorganized Debtor to be provided by DASNY pursuant to an exit financing facility; and

(iii) the New Board for the Reorganized Debtor shall have been selected.

(b) **Conditions Precedent to the Effective Date.**

The occurrence of the Effective Date is subject to the following conditions having been satisfied or waived pursuant to Article VIII of the Plan:

(i) the Confirmation Order in form and substance acceptable to the Debtor and DASNY shall have been entered and shall have become a Final Order;

(ii) the Debtor shall have received all authorizations, consents, regulatory approvals, rulings, or documents necessary to implement the Plan;

(iii) either DASNY, on behalf of DASNY's designee, or the Reorganized Debtor (as applicable), and each of the following shall have agreed in writing to resolve or the Bankruptcy Court shall have resolved any remaining disputes with and concerning:

- counterparties as to the terms of material real property leases to be assumed by DASNY's designee or by the Reorganized Debtor;
- counterparties as to the terms of material executory contracts to be assumed by the Reorganized Debtor;
- critical vendors as to credit terms for the Reorganized Debtor;
- the United States Secretary of Health and Human Services, as to the amount of liabilities assumed by the Reorganized Debtor respecting the Debtor's operator agreements;
- CIR, 1199, NYSNA, and any other counterparty as to the terms of its respective collective bargaining agreement, employee pension and benefit agreements, or other related and analogous agreements;
- applicable parties respecting each other material matter set forth in the Plan that is to be agreed upon; and

(iv) all requisite funding then due to the Liquidating Trust, Disbursement Agent, Debtor, or Reorganized Debtor shall have been provided or be the subject of a binding commitment.

(c) **Waiver of Conditions Precedent.**

Other than the requirement that the Confirmation Order must be entered, which cannot be waived, the requirement that a particular condition be satisfied may be waived in whole or part by the Debtor, with the prior written consent of DASNY, without notice and a hearing, and the Debtor's benefits under the "mootness doctrine" shall be unaffected by any related provision of the Plan. The failure to satisfy or waive any condition may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without limitation, any act, action, failure to act or inaction by the Debtor). The failure of the Debtor to assert the non-satisfaction of any such conditions shall not be deemed a waiver of any other rights under the Plan, and each such right shall be deemed an ongoing right that may be asserted or waived (as set forth herein) at any time or from time to time.

(d) **Effect of Non-Occurrence of Conditions Precedent to Confirmation and Effective Date.**

If each of the conditions to confirmation of the Plan and occurrence of the Effective Date has not been satisfied or duly waived on or before the first Business Day that is more than 180 days after the Confirmation Date, or by such later date proposed by the Debtor and, after notice and a hearing, approved by the Bankruptcy Court, upon motion by any party in interest made before the time that each of the conditions has been satisfied or duly waived, the Confirmation Order may be vacated by the Bankruptcy Court; provided, however, that notwithstanding the filing of such a motion, the Confirmation Order shall not be vacated if each of the conditions to consummation is either satisfied or duly waived before the Bankruptcy Court enters an order granting the relief requested in such motion. If the Confirmation Order is vacated, then the Plan shall be null and void in all respects, except for Section 8.4 and Articles I, XI, and XII of the Plan, and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against the Debtor; or (b) prejudice in any manner the rights of the Debtor.

**6.29** ***Termination of the Services of Patient Care Ombudsman.***

On the Effective Date, the Ombudsman shall be released from all further authority, duty, responsibility, and obligation related to the Chapter 11 Case.

**6.30** ***Dissolution of Creditors' Committee***

After the Confirmation Date, the Creditors' Committee's duties shall be limited to addressing: (i) any appeal(s) of the Confirmation Order; (ii) objections to Fee Claims; and (iii) monitoring of any matters to be handled by the Liquidating Trust after the Effective Date. On the Effective Date, the Creditors' Committee shall be dissolved and the members of the Creditors' Committee shall be released from all rights and duties arising from or related to the Chapter 11 Case; provided, however, that the professionals retained by the Creditors' Committee shall be entitled to reasonable compensation for fees and expenses incurred through the Effective Date, subject to any necessary approval by the Bankruptcy Court.

## ARTICLE VII.

## CONFIRMATION OF THE PLAN

**7.5** ***Acceptance of the Plan; Cram Down.***

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 votes to accept or reject a plan.

Classes 4, 5, and 6 are impaired under the Plan and entitled to vote to accept or reject the Plan. If one or more impaired Classes votes to reject the Plan, the Debtor may, in its discretion, seek confirmation of the Plan if it can meet the requirements of section 1129(b) of the Bankruptcy Code, described in section 7.3 below.

**7.6** ***Confirmation Hearing and Objections.***

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing to consider confirmation of the Plan. Accompanying this Disclosure Statement is notice of the date and time fixed by the Bankruptcy Court for the Confirmation Hearing and for filing and serving objections to confirmation of the Plan. **ANY OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE FILED WITH THE BANKRUPTCY COURT AND SERVED IN ACCORDANCE WITH APPLICABLE BANKRUPTCY RULES AND ANY PROCEDURES ESTABLISHED BY THE BANKRUPTCY COURT.**

**7.7** ***Confirmation.***

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied respecting the Plan. If so, the Bankruptcy Court will enter an order confirming the Plan.

(a) **Confirmation Requirements for Plan.**

Confirmation of a plan under section 1129(a) requires, among other things, that:

- the plan complies with the applicable provisions of the Bankruptcy Code. See "Bankruptcy Code Compliance" discussion below;
- the proponent of the plan has complied with the applicable provisions of the Bankruptcy Code;
- the plan has been proposed in good faith and not by any means forbidden by law;
- any plan payment made or to be made by the proponent under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable;
- the proponent has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office by such individual must be consistent with the interests of creditors and with public policy and the proponent must have disclosed the identity of any insider that the reorganized debtor will employ or retain, and the nature of any compensation for such insider;
- respecting each impaired class of 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 debtor were liquidated on such date under chapter 7 of the Bankruptcy Code. See “Best Interests” discussion below;

- each class of claims has either accepted the plan or is not impaired under the plan. See “Acceptance” discussion below;
- except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that allowed administrative expenses and priority claims will be paid in full on the plan’s effective date;
- if a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class; and
- confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan. See “Feasibility” discussion below.

(b) **Bankruptcy Code Compliance; Classification of Claims.**

Section 1123 of the Bankruptcy Code provides that a chapter 11 plan must classify claims against a debtor. Under section 1122 of the Bankruptcy Code, a chapter 11 plan may classify claims only into classes containing claims that are substantially similar to the other claims in the same class. The Plan designates six classes of Claims. The Debtor believes the Plan meets the classification requirements of the Bankruptcy Code. However, a holder of a Claim may challenge the Debtor’s classification of Claims. Then the Bankruptcy Court could determine that a different classification is required for the Plan to be confirmed. In such event, the Debtor would seek to modify the Plan to provide for whatever classification might be required by the Bankruptcy Court and to use the acceptances received, to the extent permitted by the Bankruptcy Court, the Bankruptcy Code, and the Bankruptcy Rules, to demonstrate acceptance by the affected Class or Classes. Any such reclassification could affect a Class’s acceptance of the Plan by changing the composition of such Class and the required vote for acceptance of the Plan and potentially require a resolicitation of votes on the Plan.

(c) **Best Interests of Creditors; Liquidation Analysis.**

Respecting each impaired Class of Claims, confirmation of the Plan requires that each holder of a Claim either: (i) has accepted the Plan; or (ii) would receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. This requirement is commonly referred to as the “best interests” test. Classes 1, 2, and 3 will be deemed to have accepted the Plan. Class 7 includes equity interests. Class 4 is expected to accept the Plan Thus, at most, the best interest test is relevant to Classes 5 and 6.

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 liquidation of the Debtor's assets in a chapter 7 case. These proceeds must then be reduced by the costs of such liquidation, including: (x) costs incurred during the Chapter 11 Case (such as professionals' fees and expenses); (y) a chapter 7 trustee's fees; and (z) the fees and expenses of professionals retained by such chapter 7 trustee. The potential chapter 7 liquidation distribution respecting each Class then must be further reduced by costs due to the delay caused by conversion to chapter 7.

After accounting for the liquidation proceeds and deductions described above, the net present value of a hypothetical chapter 7 liquidation distribution respecting an impaired Class is compared to the recovery provided for that Class in the Plan. The Debtor's Liquidation Analysis is attached hereto as Exhibit 6. As set forth in the Liquidation Analysis, in a chapter 7 liquidation of the Debtor's assets, each creditor in Class 5, the Class containing the East Building Claims, and Class 6, the Class containing General Unsecured Claims, is projected to receive less than projected under the Plan. Accordingly, the Plan is in the "best interests" of each creditor in such Classes even if such creditor does not accept the Plan. Please refer to the Liquidation Analysis at Exhibit 6 for specific valuation and estimated recovery figures.

(d) **Acceptance by All Impaired Classes; Request for Confirmation Without Acceptance by All Impaired Classes / Cram Down.**

As mentioned above, Classes 4, 5, and 6 are impaired under the Plan and are entitled to vote to accept or reject the Plan. Class 1, 2 and 3 are unimpaired and, therefore, conclusively presumed to have voted to accept the Plan. Although Class 7 is impaired under the Plan, Class 7 is deemed to have rejected the Plan.

Section 1129(b) permits a bankruptcy court to confirm a plan not accepted by all impaired classes if such plan has been accepted by at least one class of impaired claims. Class 4 (DASNY Claims) is an impaired Class of Claims expected to accept the Plan. The Debtor reserves the right to seek confirmation of the Plan pursuant to section 1129(b). Section 1129(b) provides that notwithstanding the failure of an impaired class to accept a chapter 11 plan, the plan still may be confirmed through a procedure commonly known as "cram-down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" respecting each class of claims impaired under that did not accept the plan.

The condition that a plan be "fair and equitable" respecting 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 property under the plan of a value as of the effective date of the plan equal to the

allowed amount of such claim; or (b) no class junior to the non-accepting class will receive a distribution under the plan.

A Class of equity interests may be crammed down if the Plan does not discriminate unfairly against that Class and no junior interest is to receive or retain anything under the Plan on account of such junior interest.

(e) **Feasibility.**

Section 1129(a)(11) provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that the plan is feasible. A feasible plan is one that will not lead to a need for further reorganization or liquidation of the debtor, unless such reorganization or liquidation is proposed in the plan. Financial Projections and a Pro Forma Balance Sheet for the Reorganized Debtor are attached as Exhibits 5 and 3, respectively. The Debtor believes the Financial Projections demonstrate the Plan satisfies the feasibility requirement of the Bankruptcy Code. The Debtor also believes the funds on hand, remaining to be drawn under the DIP facility, and the additional funding and/or financing provided by DASNY and/or DOH will enable the Debtor, DASNY, DASNY's designee, the Disbursement Agent, the Reorganized Debtor, and the Liquidating Trust (as applicable) to meet each of their Plan-related obligations and to support the ongoing financial obligations of the Reorganized Debtor through implementation of its Work Plan to reorganize, transfer, modify and/or terminate operations of the Debtor's Hospital and Clinics.

### 7.8 *Plan Consummation.*

The Plan will be consummated on the Effective Date. The target Effective Date is May 14, 2014 and DASNY and DOH require that the Effective Date occur in May 2014. The Effective Date will occur on or about the first Business Day on which the conditions precedent to the effectiveness of the Plan as set forth in the Plan have been satisfied or waived pursuant to the Plan.

## ARTICLE VIII.

## ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not consummated, then the alternatives include: (i) proposal of an alternative chapter 11 plan for reorganization or liquidation of IMC; and (ii) liquidation of IMC under chapter 7 of the Bankruptcy Code.

### 8.5 *Alternative Chapter 11 Plan(s).*

In formulating and developing the Plan, the Debtor has explored numerous alternatives and engaged in extensive negotiations with DASNY, DOH, and multiple other parties in interest. The Debtor believes the Plan fairly adjusts the rights of various Classes of Claims and also provides superior recoveries to claimholders over any realistic alternative. Meanwhile, under the circumstances, the Plan also maximizes both the number of healthcare jobs to be preserved and created in the Debtor's community and the future provision of healthcare in the Debtor's community.

If the Plan is not confirmed, the Debtor, or any other party in interest, may attempt to formulate an alternative chapter 11 plan. Any attempt to formulate such an alternative would delay creditors' receipt of distributions, result in the incurrence of additional administrative expenses that likely would decrease amounts available for distributions on Allowed Claims, and result in a substantial reduction of the amount of healthcare services and jobs in IMC's community.

### 8.6 *Liquidation Under Chapter 7 of the Bankruptcy Code.*

If no chapter 11 plan for the Debtor can be confirmed, then the Debtor's chapter 11 case might be converted to a case under chapter 7 of the Bankruptcy Code. In that instance a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors. In such a scenario, all creditors holding Allowed Claims likely would receive substantially lower distributions (or no distributions) and likely would have to wait longer to receive such distributions. Such results are demonstrated by the Liquidation Analysis set forth in Exhibit 6 to this Disclosure Statement. Meanwhile, the healthcare services and jobs now provided by the Debtor in IMC's community would disappear entirely or substantially.

## ARTICLE IX.

## CERTAIN RISK FACTORS TO BE CONSIDERED

Set forth below are certain risk factors relevant to creditors. These factors should not be regarded as constituting the only risks relevant to the Plan and its implementation.

### 9.5 *Risk of Non-Confirmation of the Plan.*

Although the Debtor believes the Plan will satisfy all confirmation requirements, there can be no assurance the Bankruptcy Court will confirm the Plan. Among the specific confirmation risks raised by certain parties in connection with the hearing on approval of this Disclosure Statement are the following:

- The Plan provisions providing that specific amounts will be reserved to satisfy in full all Allowed Claims that are Administrative Claims (including Postpetition Medical Malpractice Claims), Class 1 Priority Claims, and Class 2 Priority Tax Claims might not satisfy the Bankruptcy Code's requirement that all such Allowed Claims be paid in full under the Plan.

- The Plan provisions providing for non-debtor releases might not be justified by the requisite unusual circumstances signifying such releases are important for the success of the Plan or by sufficient economic contributions on behalf of the released Persons.

- The appointment of a Temporary Operator for IMC on the Effective Date would constitute a change of ownership for Medicare purposes that would preclude the Reorganized Debtor's retention of the Debtor's Medicare provider agreements.

**9.6 *Changes, Amendments, Modification, or Withdrawal of the Plan.***

The Debtor reserves the right to amend the Plan and seek confirmation of the Plan as modified. The potential impact of any such amendment or waiver on the holders of Claims cannot presently be foreseen, but might change the economic impact of the Plan on some or all of the Classes or change the relative rights of such Classes. Holders of Claims would receive notice of any such amendments or waivers to the extent materially and adversely impacted or such notice otherwise required by applicable law and the Bankruptcy Court. If after receiving sufficient acceptances, but before confirmation of the Plan, the Debtor seeks to modify the Plan, then previously solicited acceptances would be valid only if: (a) all Classes of adversely affected Claims accept the modification in writing; or (b) the Bankruptcy Court determines that such modification was *de minimis,* purely technical, or otherwise did not adversely change the treatment of holders of accepting Claims.

The Debtor reserves the right to withdraw the Plan before confirmation. If the Debtor withdraws the Plan, nothing contained in the Plan will be deemed to constitute a waiver or release of any claims by or against the Debtor or any other person, or to prejudice in any manner the rights or of the Debtor or of any other person.

**9.7 *Failure to Consummate the Plan.***

There can be no assurance the conditions to the Plan's Effective Date will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance the Plan will be consummated.

**9.8 *Alternative Chapter 11 Plans May Be Proposed.***

Other parties-in-interest could seek authority from the Bankruptcy Court to propose an alternative chapter 11 plan. Under the Bankruptcy Code, a debtor in possession initially has the exclusive right to propose and solicit acceptances of a plan of reorganization. However, such exclusivity periods can be reduced or terminated upon order of the Bankruptcy Court. Were such an order to be entered, then other parties-in-interest could have the opportunity to propose alternative chapter 11 plans.

# ARTICLE X.

## CONCLUSION

The Debtor believes confirmation and implementation of the Plan is far preferable to any alternative because the Plan would provide the greatest recovery to holders of Claims, the maximum available health care benefits to IMC's community, and the maximum number of healthcare jobs in IMC's community. Any alternative would involve significant delay, uncertainty, and substantial administrative costs that likely would reduce or eliminate returns to creditors who hold Claims, as well as the benefits to IMC's community and employees.

Dated: April ~~8,~~9, 2014

Respectfully submitted,

**INTERFAITH MEDICAL CENTER, INC.**,
a New York state non-profit corporation

By: /s/ Albert C. Wiltshire
Albert C. Wiltshire
Chairman, IMC Board of Trustees

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**EXHIBITS**

1) Plan

2) Assumptions to Pro Forma Balance Sheet and Financial Projections

3) Pro Forma Balance Sheet for the Reorganized Debtor

4) Sources and Uses of Cash Required for Plan Consummation

5) Financial Projections for the Reorganized Debtor Assuming a May 2014 Plan Effective Date

6) Liquidation Analysis

7) Nonexclusive List of Potential Avoidance Actions

NOTE: A copy of the Debtor's Audited Consolidated Financial Statements for the Debtor for the fiscal year ended December 31, 2012 may be accessed free of charge from the following website: www.donlinrecano.com/interfaithmedical.

# EXHIBIT 1

Plan

[~~TO BE FILED SEPARATELY]~~Plan In The Same Form As Filed Separately]

**EXHIBIT 2**

Assumptions to Pro Forma Balance Sheet and Financial Projections

**Interfaith Medical Center, Inc.**
**Assumptions**

These Projections (as defined below) were prepared by Interfaith Medical Center, Inc.'s ("IMC" or the "Debtor") management, with the assistance of CohnReznick, the Debtor's financial advisor. The Projections present to the best of the Debtor's management's knowledge, information, and belief, the expected cash flows of the Debtor's Hospital and Clinics (collectively, the "Reorganized Debtor") for the period June 1, 2014 through May 31, 2015. Accordingly, these Projections, including the assumptions thereto, reflect as of the date of these Projections, management's reasonable judgment and estimation, of expected future cash requirements arising from business decisions, which are subject to change. The assumptions disclosed herein are those the Debtor believes are significant to the Projections.

**THE DEBTOR CAUTIONS THAT NO REPRESENTATION CAN BE MADE AS TO THE ACCURACY OF THE PROJECTED FINANCIAL INFORMATION CONTAINED HEREIN (THE "PROJECTIONS") OR THE REORGANIZED DEBTOR'S ABILITY TO ACHIEVE THE PROJECTED RESULTS. ALTHOUGH THE DEBTOR AND ITS ADVISORS BELIEVE THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES, NO ASSURANCE CAN BE GIVEN THAT THE ASSUMPTIONS WILL PROVE TO BE ACCURATE. MANY OF THE ASSUMPTIONS UPON WHICH THESE PROJECTIONS ARE BASED ARE NOT DIRECTLY DERIVED FROM HISTORICAL RESULTS AND ARE SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTIES. IT IS LIKELY THAT SOME ASSUMPTIONS WILL NOT MATERIALIZE BECAUSE OF UNANTICIPATED EVENTS AND CIRCUMSTANCES. ACCORDINGLY, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PROJECTION PERIOD ARE LIKELY TO VARY FROM THE PROJECTED RESULTS. THOSE VARIATIONS MIGHT BE MATERIAL AND ADVERSE.**

EXHIBIT 2

**Interfaith Medical Center, Inc.**
**Assumptions**

**General Assumptions**

1) The Projections assume that during the Projection period the Reorganized Debtor's Hospital and Clinics continue to operate in the ordinary course (subject to potential operational improvements) and outpatient clinics are not transferred to a third party. The Projections also assume a Plan of Reorganization for IMC is confirmed and goes effective in May 2014.

2) The Projections reflect projected results through May 31, 2015.

   In addition, the Debtor has identified various operating and Chapter 11 related initiatives that could enhance projected operating results. It is anticipated that updated projections appended to a Plan supplement will detail assumptions and projected results related to such initiatives.

3) The Projections assume DASNY advances sufficient funds to cover the high end of the estimated range of exit costs, including monies to compensate the Disbursement Agent and professionals retained by the Disbursement Agent to reconcile, negotiate, and prosecute claims objections, and to pay claims (other than general unsecured claims). In addition, the Projections assume sufficient funding for the Reorganized Debtor to meet its cash needs in the ordinary course during the post confirmation period, including post-petition accounts payable and accrued expenses, and Medicaid and Medicare recoupment liabilities, which total approximately $6.6 million and $15.6 million, respectively (see notes 10 and 16 below).

**Balance Sheets and Cash Flows Assumptions**

4) Working capital requirements do not materially change on a monthly basis.

5) The Projections reflect DASNY's prior application of  marketable securities under the bond indenture (bond debt service reserve funds) to its outstanding loan balance.

6) Pre-petition escrowed funds for medical malpractice claim settlements are not property of estate and are reflected as reducing the corresponding medical malpractice claims.

7) Professional fee reserve is equal to the outstanding professional fees at the Effective Date. To the extent such reserved funds exceed the outstanding allowed fees plus fees incurred after the Effective Date (other than professionals retained by the Reorganized Debtor), excess funds will be transferred to DASNY's designee. Accordingly, the Balance Sheet reflects professional fee reserve balance of $0 at the Effective Date.

8) Real property with a book value of approximately $54.5 million is transferred to DASNY's designee on the Effective Date and all other assets, including the Debtor's interest in Health First, are assumed to remain with the Reorganized Debtor.

9) Capital expenditures, except specific initiatives, are projected to be $100K per month.

10) Accounts payable and accrued expenses at the Effective Date are reduced for: (a) vouchered professional fees ($2 million) that are assumed to be paid from the professional fee reserve (see note 7; and (b) East Building lease payments ($1 million) that are addressed within the exit cost assumptions.

11) The post-petition liability to the Foundation is assumed to be $0.

12) TD obligation is assumed to be settled for a $300K payment on the Effective Date.

13) The DIP loan balance on the Effective Date is not an obligation of the Reorganized Debtor.

14) Balance of long-term debt in default (DASNY debt) is not an obligation of the Reorganized Debtor.

15) The Projections assume post Effective Date NYSNA retirement benefits are funded monthly together with other benefits. The pension benefit cost paid to the NYSNA Benefit fund is assumed to be approximately $9K annually for each NYSNA employee. Currently, there are approximately 225 NYSNA employees.

16) Liabilities to third party payors (Medicare and Medicaid) at the Effective Date are assumed to equal the amounts of filed claims by State of NY Office of Medicaid and HHS (approximately $7.4 million and $8.2 million, respectively). Recoupments by both Medicaid and Medicare are assumed to commence at the rate of $400K per month on the Effective Date until fully repaid. Nonetheless, the Debtor and Reorganized Debtor reserve all rights in that regard.

17) All other liabilities are assumed to be compromised in full at the Effective Date.

**EXHIBIT 2**

## Interfaith Medical Center, Inc.
## Assumptions

**Statement of Operations Assumptions**

18) Revenues are based on recent (last 3 months) historical rates per discharge/visit by service line. The census was assumed to remain constant with recent trends. The following are the recent historical results per discharge/visit and monthly discharges/visits by service line:

| Inpatient Service | Revenue per Discharge | Monthly Discharges |
|---|---|---|
| Acute | $ 13,750 | 467 |
| Psych | 13,615 | 138 |
| Rehab | 9,866 | 23 |
| Detox | 2,730 | 85 |

| Outpatient Service | Revenue per Visit | Monthly Visits |
|---|---|---|
| Medical Clinics | $ 91 | 3,308 |
| Behavioral Clinics | 101 | 5,110 |
| Amb Surg | 896 | 140 |
| ED | 173 | 2,687 |

Above revenue information per discharge includes the CMS passthrough for GME.

19) Other operating revenue is based on recent historical run rates and is primarily comprised of: (i) PCs ($250K per month): (ii) grants ($150K per month); (iii) Alt Housing Program ($140K per month); (iv) medical students ($50K per month through June 2014 and $300K per month thereafter); and (v) Health First investment income ($225K per month).

20) Salaries, insurance (except medical malpractice insurance, see below), and utilities are based on recent historical run rates.

21) Medical malpractice expense (for claims arising post Effective Date) is based on an actuarial report, dated March 2014, and approximates $210K per month. The Debtor is investigating the cost of obtaining a medical malpractice insurance policy for the post Effective Date period. The Projections assume the monthly cost of insurance and/or monies funded into an escrow will be approximately $210K per month.

22) Variable costs are projected based on recent historical costs as follows:

| | |
|---|---|
| Benefits | 33% of payroll |
| Physicians and temporary labor | 5% of net patient revenue |
| Medical Supplies | 7% of net patient revenue |
| Purchased Services | 13% of net patient revenue |

Benefits are forecasted at a savings of approximately 2% of payroll to reflect NYSNA pension expense reduction (see note 15 above).

23) Rent expense to DASNY's designee and the East Building landlord are in the amounts of $0 per month and $25K per month, respectively. Although rent to DASNY for a triple net lease is still being discussed, it is anticipated that any rent requirements would result in an equivalent rate reimbursement increase, thus not materially impacting projected loss and cash flow.

24) CRO/TO, CEO, related attorney's costs, and CEO temp costs are projected to be $400K per month.

# EXHIBIT 3

Pro Forma Balance Sheet for the Reorganized Debtor

**EXHIBIT 3**

**Interfaith Medical Center, Inc.**
**Pro Forma Balance Sheet of Reorganized Debtor**

| | Projected Balance Sheet before Effective Date Adjustments | Effective Date Adjustments | Projected Balance Sheet as of Effective Date | Ref # |
|---|---|---|---|---|
| **Assets:** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $8,780,345 | | $8,780,345 | **4, 8** |
| Accounts receivable, net of allowance for doubtful accounts | 16,188,367 | | 16,188,367 | **4, 8** |
| Public goods pools receivable | 3,005,584 | | 3,005,584 | **4, 8** |
| Grants and other receivables | 1,005,550 | | 1,005,550 | **4, 8** |
| Inventory | 721,839 | | 721,839 | **4, 8** |
| Prepaid expenses and other current assets | 408,648 | | 408,648 | **4, 8** |
| Total current assets | 30,110,333 | - | 30,110,333 | |
| Long-term assets: | | | | |
| Marketable securities under bond indenture | - | - | - | **5** |
| Pre-Petition Malpractice escrows | 4,032,244 | (4,032,244) | - | **6** |
| Professional fee reserve | 5,985,606 | (5,985,606) | - | **7** |
| Permanently restricted funds | 1,108,848 | | 1,108,848 | **8** |
| Property, plant and equipment, net of accumulated depreciation | 57,948,454 | (54,448,454) | 3,500,000 | **8, 9** |
| Investment in Health First | 14,550,529 | | 14,550,529 | **8** |
| Security deposits and other | 1,226,929 | (1,226,929) | - | |
| Total long-term assets | 84,852,610 | (65,693,233) | 19,159,377 | |
| Total assets | 114,962,943 | (65,693,233) | 49,269,710 | |
| **Liabilities and net assets (deficiency)** | | | | |
| Liabilities not subject to compromise: | | | | |
| Accounts payable and accrued expenses | 9,981,193 | (3,000,000) | 6,981,193 | **4, 10** |
| Accrued salaries and withholdings | 2,286,266 | | 2,286,266 | **4, 10** |
| Accrued vacation | 3,436,102 | | 3,436,102 | **4, 10** |
| Accrued benefits | 2,460,782 | | 2,460,782 | **4, 10** |
| Due to Foundation | 4,300,000 | (4,300,000) | - | **11** |
| Post-Petition medical malpractice liabilities | 3,527,475 | (3,527,475) | - | **3** |
| Accrued retirement benefits | 8,363,529 | (8,363,529) | - | **3** |
| Other liabilities | 500,000 | (500,000) | - | **3** |
| Due to third party payors | 25,293,800 | (9,721,606) | 15,572,194 | **3, 16** |
| DIP loan | 30,000,000 | (30,000,000) | - | **13** |
| Long-term debt in default | 131,494,052 | (131,494,052) | - | **14** |
| Total liabilities not subject to compromise | 221,643,199 | (190,906,662) | 30,736,537 | |
| Liabilities subject to compromise | 159,459,162 | (159,459,162) | - | **17** |
| Total liabilities | 381,102,361 | (350,365,825) | 30,736,537 | |
| Net assets (deficiency): | | | | |
| Unrestricted | (267,373,868) | 284,672,592 | 17,298,723 | |
| Temporarily restricted | 125,602 | | 125,602 | |
| Permanently restricted | 1,108,848 | | 1,108,848 | |
| Total net assets (deficiency) | (266,139,418) | 284,672,592 | 18,533,173 | |
| Total liabilities and net deficit | $114,962,943 | ($65,693,233) | $49,269,710 | |

**EXHIBIT 4**

Sources and Uses of Cash Required for Plan Consummation

**EXHIBIT 4**

**Interfaith Medical Center, Inc.**
**Sources and Uses of Cash Required for Plan Consummation**

***($ in thousands)***

| | Low | High | |
|---|---|---|---|
| **Sources:** | | | |
| DIP Loan (Exit Financing) | $9,720 | $26,420 | |
| Restricted Medical Malpractice Indemnity Fund | 400 | 400 | |
| Funding from Covered Persons | TBD | TBD | |
| Professional Fee Reserve | 2,500 | 3,000 | |
| Total Sources | 12,620 | 29,820 | |
| **Uses:** | | | |
| Secured Claims | 600 | 700 | **A** |
| Priority Claims (including Priority Tax Claims) | 2,000 | 3,900 | **A** |
| 503(b)(9) and Reclamation Claims | 500 | 700 | **A** |
| Other Administrative Claims | 0 | 3,400 | **A** |
| IRS Pension Underfunding Penalties | 0 | 2,400 | **B** |
| PBGC Premium | 0 | 500 | **C** |
| PBGC Pension Termination Premium | 5,400 | 5,400 | **C** |
| Cure Costs | 0 | 3,000 | **D** |
| KERP | 300 | 300 | |
| Accrued Medical Malpractice Claims (Post-Petition) | 0 | 3,900 | **E** |
| Due to IM Foundation (Post-Petition) | 0 | 0 | **F** |
| East Building Liability | 0 | 1,300 | **G** |
| Professional Fees | 2,500 | 3,000 | |
| Pre-Petition Medical Malpractice Claims against Covered Persons | TBD | TBD | |
| U.S. Trustee Fees | 120 | 120 | |
| Disbursement Agent Including Professionals | 1,000 | 1,000 | |
| Liquidation Trust Funding | 200 | 200 | **H** |
| | $12,620 | $29,820 | |

**See Assumptions to Sources and Uses on following page.**

**EXHIBIT 4**

## Interfaith Medical Center, Inc.
## Assumptions to Sources and Uses of Cash Required for Plan Consummation

Note: The Projections assume DASNY advances sufficient funds to cover the high end of the estimated range of exit costs, including monies to compensate the Disbursement Agent and professionals retained by the Disbursement Agent to reconcile, negotiate, and prosecute claims objections, and to pay claims (other than general unsecured claims). Administrative expenses to be paid in the ordinary course shall be assumed by the Reorganized Debtor and are not included in the above schedule.

**A** The estimated secured, priority, and administrative claims are based on the Debtor's analysis of the claims register as of February 28, 2014. The above range excludes amended, duplicate, and other clearly invalid claims (such as 503(b)(9) claims for services). In addition, Other Administrative Claims (High range) includes post-petition pension costs of approximately $3 million. Counsel is analyzing whether these costs are a valid administrative claim.

**B** Counsel is analyzing whether these claims for taxes resulting from unpaid pension contributions for 2011 through 2013, is a tax or a penalty.

**C** PBGC premiums have been paid in full by the pension plans' administrator through 2013. 2014 premiums (estimated at $500K) are due in October 2014, and if not paid from pension plan assets, could be a liability of IMC. PBGC Pension Termination Premium is not discharged by the Plan and is based on $1,250 per pension plan participant (approximately 1,400 participants) per year for three years. Nonetheless, the Debtor and Reorganized Debtor reserve all rights in that regard.

**D** Cure costs are estimates and do not reflect third party payor liabilities.

**E** Represents approximate actuarial computed post-petition medical malpractice liability. To date, no post-petition medical malpractice claims have been asserted against the Debtor.

**F** Although the IM Foundation might assert an administrative claim against IMC for $4.3 million based on an alleged post petition unsecured loan to IMC, no amount is included in the exit costs for any such liability. Due to a variety of factors, IMC does not expect that any such claim will be allowed. First, any such alleged loan liability to the IM Foundation could be recharacterized as a contribution to IMC. Second, the IM Foundation could be liable to IMC for at least an equal amount based on an avoidance action. The IM Foundation, however, has not agreed to disallowance of any such claim.

**G** East Building liability is based on the contractual rate of the lease, less the aggregate amounts already paid during the post petition period pursuant to the Court approved interim stipulation. Nonetheless, the Debtor and Reorganized Debtor reserve all rights in that regard.

**H** DASNY has consented to the funding of $200K for a liquidating trust to fund its administrative costs and initial costs to pursue certain causes of action pursuant to the Plan. Net proceeds from such actions would inure to the benefit of general unsecured creditors.

# **EXHIBIT 5**

Financial Projections for the Reorganized Debtor Assuming a May 14, 2014 Plan Effective Date

EXHIBIT 5

# Interfaith Medical Center, Inc.
## Projected Statements of Operations of Reorganized Debtor
### June 2014 - May 2015

| | June | July | August | September | October | November | December | January | February | March | April | May | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | | | | | | | |
| Net inpatient revenue | $9,715,358 | $9,997,696 | $9,997,696 | $9,715,358 | $9,997,696 | $9,715,358 | $9,997,696 | $9,997,696 | $9,240,628 | $9,997,696 | $9,715,358 | $9,997,696 | $118,085,934 |
| Net outpatient revenue | 1,355,866 | 1,401,228 | 1,401,228 | 1,355,866 | 1,401,228 | 1,355,866 | 1,401,228 | 1,401,228 | 1,401,228 | 1,401,228 | 1,401,228 | 1,401,228 | 16,678,655 |
| Bad debt expense | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (700,000) | (8,400,000) |
| Capitation | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 1,800,000 |
| Net patient revenue | 10,521,225 | 10,848,925 | 10,848,925 | 10,521,225 | 10,848,925 | 10,521,225 | 10,848,925 | 10,848,925 | 10,091,856 | 10,848,925 | 10,566,587 | 10,848,925 | 128,164,588 |
| Other operating | 840,000 | 1,095,000 | 1,095,000 | 1,090,000 | 1,090,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 1,095,000 | 12,875,000 |
| Total revenue | 11,361,225 | 11,943,925 | 11,943,925 | 11,611,225 | 11,938,925 | 11,616,225 | 11,943,925 | 11,943,925 | 11,186,856 | 11,943,925 | 11,661,587 | 11,943,925 | 141,039,588 |
| **Expenses:** | | | | | | | | | | | | | |
| Salaries and wages | 8,004,644 | 8,271,466 | 8,091,837 | 8,004,644 | 8,428,066 | 8,004,644 | 8,271,466 | 8,091,837 | 7,471,001 | 8,271,466 | 8,004,644 | 8,428,066 | 97,343,784 |
| Employee benefits | 2,641,533 | 2,729,584 | 2,670,306 | 2,641,533 | 2,781,262 | 2,641,533 | 2,729,584 | 2,670,306 | 2,465,430 | 2,729,584 | 2,641,533 | 2,781,262 | 32,123,449 |
| Physicians and temp labor | 493,965 | 510,430 | 510,430 | 493,965 | 510,430 | 493,965 | 510,430 | 510,430 | 461,034 | 510,430 | 493,965 | 510,430 | 6,009,903 |
| Medical supplies | 707,836 | 730,202 | 730,202 | 707,836 | 730,202 | 707,836 | 730,202 | 730,202 | 678,532 | 730,202 | 710,932 | 730,202 | 8,624,383 |
| Other | 381,143 | 393,185 | 393,185 | 381,143 | 393,185 | 381,143 | 393,185 | 393,185 | 365,363 | 393,185 | 382,810 | 393,185 | 4,643,899 |
| Purchased services | 1,400,115 | 1,444,355 | 1,444,355 | 1,400,115 | 1,444,355 | 1,400,115 | 1,444,355 | 1,444,355 | 1,342,151 | 1,444,355 | 1,406,239 | 1,444,355 | 17,059,219 |
| Utilities | 267,781 | 276,707 | 276,707 | 267,781 | 276,707 | 267,781 | 276,707 | 276,707 | 276,707 | 276,707 | 276,707 | 276,707 | 3,293,704 |
| Insurance including malpractice | 279,452 | 288,767 | 288,767 | 279,452 | 288,767 | 279,452 | 288,767 | 288,767 | 288,767 | 288,767 | 288,767 | 288,767 | 3,437,260 |
| Interest & mortgage fees | | | | | | | | | | | | | - |
| Depreciation & amortization | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 120,000 |
| Total operating expenses | 14,186,469 | 14,654,696 | 14,415,790 | 14,186,469 | 14,862,974 | 14,186,469 | 14,654,696 | 14,415,790 | 13,358,985 | 14,654,696 | 14,215,597 | 14,862,974 | 172,655,601 |
| **Loss from operations before Reorganization Costs** | (2,825,244) | (2,710,771) | (2,471,865) | (2,575,244) | (2,924,049) | (2,570,244) | (2,710,771) | (2,471,865) | (2,172,129) | (2,710,771) | (2,554,010) | (2,919,049) | (31,616,012) |
| CRO/TO, CEO & Counsel | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 417,000 | 5,004,000 |
| Reorganization costs/UST fees | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Loss from operations** | (3,242,244) | (3,127,771) | (2,888,865) | (2,992,244) | (3,341,049) | (2,987,244) | (3,127,771) | (2,888,865) | (2,589,129) | (3,127,771) | (2,971,010) | (3,336,049) | (36,620,012) |
| **EBIDA** | ($3,232,244) | ($3,117,771) | ($2,878,865) | ($2,982,244) | ($3,331,049) | ($2,977,244) | ($3,117,771) | ($2,878,865) | ($2,579,129) | ($3,117,771) | ($2,961,010) | ($3,326,049) | ($36,500,012) |
| Capital Expenditures | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($100,000) | ($1,200,000) |
| Health First Income incl capitation | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($375,000) | ($25,000) | (4,150,000) |
| Health First Receipts | | 100,000 | | 100,000 | | | 100,000 | | | | 1,500,000 | | 1,800,000 |
| Accrued retirement benefits | | | | | | | | | | | | | - |
| Malpractice Accruals, net | | | | | | | | | | | | | - |
| Recoupments | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (4,800,000) |
| Net cash flow | (4,107,244) | (3,892,771) | (3,753,865) | (3,757,244) | (4,206,049) | (3,852,244) | (3,892,771) | (3,753,865) | (3,454,129) | (3,992,771) | (2,336,010) | (3,851,049) | (44,850,012) |
| Beginning Cash | 8,780,345 | 4,673,101 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 8,780,345 |
| Ending Cash before NYS funding | 4,673,101 | 780,330 | (1,753,865) | (1,757,244) | (2,206,049) | (1,852,244) | (1,892,771) | (1,753,865) | (1,454,129) | (1,992,771) | (336,010) | (1,851,049) | (36,069,667) |
| NYS funding | - | 1,219,670 | 3,753,865 | 3,757,244 | 4,206,049 | 3,852,244 | 3,892,771 | 3,753,865 | 3,454,129 | 3,992,771 | 2,336,010 | 3,851,049 | 38,069,667 |
| **Ending cash** | **$4,673,101** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** | **$2,000,000** |

# EXHIBIT 6

Liquidation Analysis

**EXHIBIT 6**

**Interfaith Medical Center, Inc.**
**Liquidation Analysis**

| Description | Book Value at February 28, 2014 | Liquidation Value |
|---|---|---|
| Cash & cash equivalents (excluding restricted cash) | $ 3,339,406 | $ 3,300,000 |
| Patient receivables, net of allowance for doubtful accounts | 16,188,367 | 7,500,000 |
| Other receivables | 4,986,134 | 3,700,000 |
| Prepaid expenses | 408,648 | - |
| Inventory | 721,839 | 200,000 |
| Permanently restricted funds | 1,255,854 | - |
| Fixed assets, net | 60,828,169 | 30,400,000 |
| Other assets | 18,676,361 | 5,500,000 |
| **Total Assets / Recovery** | **$ 106,404,778** | **50,600,000** |
| | | |
| **Proceeds available for distribution to Chapter 7 Administrative Claims** | | **50,600,000** |
| Chapter 7 trustee fees | | 1,500,000 |
| Chapter 7 professional fees | | 5,000,000 |
| Closure costs, net of closure revenues (pursuant to closure plan budget) | | 14,400,000 |
| Wind-down costs | | 2,000,000 |
| **Proceeds available for Secured Claims** | | **27,700,000** |
| DASNY/DOH | | 131,500,000 |
| ***Recovery*** | | ***21.1%*** |
| | | |
| **Proceeds available for Chapter 11 Other Secured Claims, Administrative Claims and Priority Claims** | | **(103,800,000)** |
| Chapter 11 Administrative Claims, Service Provider Claims and Priority Claims | | 11,500,000 |
| ***Recovery*** | | ***0.0%*** |
| | | |
| **Proceeds Available for Unsecured Claims** | | **(115,300,000)** |
| General Unsecured Claims | | $ 375,000,000 |
| ***Recovery*** | | ***0.0%*** |

**EXHIBIT 6**

**Interfaith Medical Center, Inc.**
**Liquidation Analysis**

1) Date of projected liquidation and closure commencement is assumed to be April 30, 2014

2) Patient receivables under a liquidation scenario are valued as follows:

| | Book Value | Liquidation Adjustment | Liquidation Value | Comments |
|---|---|---|---|---|
| Medicaid | $ 2,512,578 | 100% | $ - | Assumes Medicaid setoff of payor liabilities. |
| Medicaid HMO | 5,268,214 | 25% | 3,951,161 | |
| Medicare | 2,021,139 | 100% | - | Assumes Medicare setoff of payor liabilities. |
| Medicare HMO | 2,390,551 | 25% | 1,792,913 | |
| Commercial | 1,553,755 | 25% | 1,165,316 | |
| Workers Comp | 42,079 | 25% | 31,559 | |
| Self Pay | 2,400,049 | 75% | 600,012 | Difficulty in collecting self pay receivables is exacerbated in a liquidation scenario. |
| | $ 16,188,365 | | $ 7,540,962 | |

3) Other receivables are assumed to be collected at 75%.

4) Prepaid expenses are primarily insurance premiums that expire in the April through July 2014 period. Accordingly, the liquidation value of such assets is $0.

3) Book value of inventory is assumed to approximate its fair market value, and is valued at 25% in a liquidation.

4) Fixed assets are valued at 50% of their book value.

5) Other assets consists primarily of IMC's investment in Health First and various vendor deposits. The liquidation analysis assumes vendors will setoff deposits against their outstanding payables. The liquidation value of Health First is assumed to be $5.5 million, pursuant to IMC's contract with Health First.

6) Chapter 7 trustee fees are estimated at 3% of gross liquidation proceeds.

7) Professional fees represent fees of attorneys, financial advisors, accountants, appraisers, and other professionals retained by the Chapter 7 Trustee.

8) Closure costs include projected costs to close the hospital and transfer patients to alternate facilities. Such costs, net of closure revenues, are based on IMC's closure plan budget filed with the court on November 1, 2013.

9) Wind-down costs consist of expenses of maintaining the Debtor's systems and payroll for certain employees necessary to collect the receivables, monetize assets and assist the Chapter 7 Trustee in the claims adjudication process.

10) Solely for this liquidation analysis, the Debtor assumes DASNY has a valid, perfected, and senior security interest in all of the Debtor's assets.

# EXHIBIT 7

Nonexclusive List of Potential Avoidance Actions

# Interfaith Medical Center, Inc.
## Vendor Payments
## 90 Days Prior to Filing

| Vendor Name | |
|---|---|
| 1199SEIU National Benefit Fund | $ 1,648,589.81 |
| 1545 ATLANTIC DEVELOPMENT LLC | 184,060.00 |
| 2010 PUBLIC GOODS POOLS | 349,895.00 |
| 3M | 12,981.59 |
| 467-75 ST MARKS AVE | 112,015.00 |
| AARONSON RAPPAPORT FEINSTEIN | 19,424.63 |
| ACG OF LONG ISLAND ENTERPRISES | 10,616.00 |
| ACTION CARTING | 59,712.76 |
| ADP INC | 7,074.14 |
| ADP SCREENING & SELECTION | 10,223.76 |
| AFCO | 62,718.78 |
| ALERE NORTH AMERICA,INC | 32,409.00 |
| ARTHUR M.MAGUN,MD | 6,869.00 |
| ATLANTIC AVENUE RADIOLOGY,PC | 40,485.30 |
| B. BRAUN MEDICAL INC | 18,475.92 |
| BENJAMIN BARRAH, M.D. | 20,833.32 |
| BIO-REFERENCE LABORATORIES | 12,065.00 |
| BLACK BOX NETWORK SERVICES | 18,750.04 |
| BOSTON SCIENTIFIC CO | 117,787.21 |
| BROOKLYN AIDS TASK FORCE | 60,294.70 |
| BROOKLYN EVENT CENTER LLC | 41,250.00 |
| C.I.R. SEIU HEALTHCARE | 145,800.00 |
| CAREFUSION 2200 INC | 7,811.00 |
| CEN-MED ENTERPRISES | 9,555.00 |
| CENTRAL ABSORPTION,INC. | 40,030.27 |
| CHANTEL COOKSON | 6,219.00 |
| CHEYENNE REALTY LLC | 79,336.77 |
| CHRISTINE ANN MOONEY | 46,296.29 |
| CLEANING EQUIPMENT MAINTENANCE CORP | 15,747.78 |
| CLINICAL STAFFING RESOURCES | 161,845.50 |
| COLONIAL VOLUNTARY INSURANCE | 6,108.18 |
| COMMITTEE OF INTERNS | 29,810.21 |
| CON EDISON | 65,055.72 |
| CONMED LINVATEC | 28,190.61 |
| CORAM | 13,800.00 |
| CREATIVE HEALTH CONCEPTS LTD | 30,000.00 |
| CUSTOM STAFFING INC | 100,046.93 |
| DATA MARSHALL INC. | 92,106.61 |
| DATA-CORE SYSTEMS INC | 13,605.00 |
| DB TECHNOLOGY,LLC | 12,395.11 |
| DELL MARKETING L.P. | 36,517.28 |
| DIVERSIFIED INVESTMENT | 959,072.82 |
| DJO SURGICAL | 16,893.53 |
| EAST COAST PETROLEUM | 47,156.98 |
| ECRI | 6,424.00 |
| ELIZABETH WARREN | 6,890.48 |
| ELIZABETH WARREN AND PETERS BERGER | 43,109.52 |
| EMPIRE HEALTH CHOICE ASSURANCE INC | 425,498.31 |
| ENVIRONMENTAL ENGINEERING SOL P.C. | 13,472.50 |
| E-SCAN DATA SYSTEMS INC. | 119,662.55 |
| EV3 INC. | 44,641.00 |

# Interfaith Medical Center, Inc.
## Vendor Payments
## 90 Days Prior to Filing

| | |
|---|---|
| FIRST UNUM LIFE INSURANCE COMPANY | 16,694.31 |
| FIRSTDATABANK, INC | 22,852.00 |
| FRESENIUS MEDICAL CARE N.A. | 112,115.00 |
| GE HEALTHCARE SERVICES | 39,804.10 |
| GE MEDICAL SYSTEMS INFORMATION TECH | 97,262.25 |
| GLOBAL COMMUNICATION | 105,630.00 |
| HEALTH FACILITY ASSESSMENT FUND | 134,088.00 |
| HEALTH SERVICES RETIREMENT PLAN | 24,675.00 |
| HEALTH/ROI | 66,204.55 |
| HEALTHCARE REVENUE STRATEGIES | 19,687.50 |
| IATRIC | 13,800.00 |
| INNOMED, INC. | 12,233.57 |
| INTERNAP NETWORK SERVICES | 6,722.86 |
| JERKIELAH WATERMAN AND LUFTY | 18,666.66 |
| JOSEPH S. RACCUIA,MD | 27,750.00 |
| JULAINE DACOSTA | 7,500.00 |
| JZANUS, LTD | 54,081.28 |
| KONICA MINOLTA MEDICAL IMAGING | 15,040.00 |
| KRONOS | 11,496.82 |
| KURRON SHARES OF AMERICA | 974,205.40 |
| LABORATORY CORP OF AMERICA | 47,252.89 |
| MAS | 7,865.84 |
| MAXX HEALTH INC. | 8,185.00 |
| MCGRAW COMMUNICATION | 13,146.36 |
| McKESSON TECHNOLOGIES | 16,861.18 |
| MEDICAL INFORMATION TECHNOLOGY | 130,431.00 |
| MEDMATICA CONSULTING ASSOC INC | 40,975.00 |
| MICHAEL D NIEVES | 8,200.00 |
| MILLER & MILONE PC | 77,736.34 |
| MULLOOLY,JEFFEY,ROON | 6,611.08 |
| MUSCULOSKELETAL TRANSPLANT | 17,531.65 |
| NATIONAL GOVERNMENT SERVICES | 36,427.65 |
| NATIONAL GRID | 45,567.13 |
| NATIONAL HOSP. SPECIALTIES | 9,163.00 |
| NETWORK INFRASTRUCTURE TECHNOLOGIES | 30,720.00 |
| NEW YORK SPINAL IMPLANTS | 7,250.00 |
| NEW YORK STATE INSURANCE FUND | 200,992.22 |
| NEW YORK STATE NURSES Association | 66,018.64 |
| NEXERA | 76,465.66 |
| NIXON PEABODY LLP | 92,722.57 |
| NOUVEAU ELEVATOR IND | 23,285.00 |
| NY METHODIST HOSPITAL DEPT OF PEDIA | 20,000.00 |
| NYC WATER BOARD | 70,521.11 |
| NYS DEPARTMENT OF HEALTH | 14,383.57 |
| NYSNA BENEFITS FUND | 529,879.76 |
| OCEAN SIDE INSTITUTIONAL | 81,899.94 |
| OFFICE DEPOT | 33,615.49 |
| OSTEOMED | 22,392.00 |
| PAETEC | 40,332.06 |
| PARALLEL CONTRACTING INC | 25,000.00 |
| PARK PLACE INTERNATIonal | 29,783.88 |
| PAUL E. GATES, DDS MBA | 15,000.00 |
| PETRONE ASSOCIATES LLC | 6,219.00 |

# Interfaith Medical Center, Inc.
## Vendor Payments
## 90 Days Prior to Filing

| | |
|---|---:|
| PHILIPS HEALTHCARE | 175,988.61 |
| PRESS GANEY ASSOCIATES,INC. | 50,467.64 |
| PUTNEY, TWOMBLY, HALL & Hirson LLP | 70,807.72 |
| RADIOMETER AMERICA I | 5,929.37 |
| RELAY HEALTH INC | 29,282.64 |
| RENEE BROWN AS ADMIN | 50,000.00 |
| RISK MANAGEMENT PLANNING GROUP,INC. | 37,500.00 |
| SECURITAS SECURITY SERVICES USA,INC | 389,986.34 |
| SEDGWICK CLAIMS MANAGEMENT SERV. | 35,642.50 |
| SG RISK,LLC | 10,000.00 |
| SHANNAH SMALL | 6,280.00 |
| SHERRIE ADAMS | 6,920.00 |
| SIEMENS DIAGNOSTICS | 7,162.40 |
| SIGAL,INC. | 42,715.50 |
| SILBERSTEIN, AWAD & MILKOS, PC | 11,790.46 |
| ST. JUDE MEDICAL INC | 14,667.00 |
| STERICYCLE, INC. | 14,012.50 |
| STRYKER MEDICAL | 5,883.31 |
| SUPERIOR MAINTNANCE SUPPLY,LLC | 8,585.21 |
| THE CBORD GROUP INC. | 18,596.41 |
| THE PENSION COMPANY,AS ESCROW AGENT | 197,098.22 |
| THE TRUST ACCOUNT OF THE LAW - Lilith James | 81,395.34 |
| THE WEEKS LERMAN GROUP, LLC | 9,774.00 |
| TORRE JOHNSON | 35,714.28 |
| TOSHIBA AMERICA MEDICAL SYSTEMS,INC | 18,011.50 |
| TRIAD ISOTOPES INC | 9,104.52 |
| TRUVEN HEALTH ANALYTICS INC | 17,573.50 |
| UNIVERSAL HOSPITAL SERVICES | 58,016.42 |
| UP TO DATE INC | 13,539.00 |
| VASCULAR DIAGNOSTICS | 54,250.00 |
| W.L GORE &ASSOCIATES | 8,935.00 |
| WALTER A. MC DERMOTT | 18,226.00 |
| WILSON,ELSER, MOSKOWITZ EDLMAN & DICKER LLP | 69,218.29 |
| WRIGHT MEDICAL TECHNOLOGY | 6,723.00 |
| **Grand Total** | **$10,692,370.91** |