UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
	:	
SAINT VINCENTS CATHOLIC MEDICAL CENTERS OF NEW YORK, et al.,	:	Case No. 10-11963 (CGM)
	:	
Debtors.	:	Jointly Administered

DISCLOSURE STATEMENT FOR THE AMENDED JOINT PLAN OF SAINT VINCENTS CATHOLIC MEDICAL CENTERS OF NEW YORK AND CERTAIN OF ITS AFFILIATES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: May 17, 2012

The deadline by which each holder of an impaired Claim must cast a properly completed and delivered ballot for its vote to accept or reject the Plan to be counted is June 15, 2012, at 5:00 p.m. (prevailing Eastern Time), unless extended.

IMPORTANT NOTICE

This Disclosure Statement relates to the Plan and has been prepared in accordance with section 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). The Plan and the Disclosure Statement are not required to be prepared in accordance with federal or state securities laws or other applicable nonbankruptcy law. Neither the Securities and Exchange Commission, nor any state securities commission, has approved or disapproved of the Plan or has passed on the accuracy or adequacy of this Disclosure Statement. Any representation to the contrary is a criminal offense.

This Disclosure Statement and its related documents 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 representations have been authorized by the Bankruptcy Court concerning the Debtors, their business operations or the value of their assets, except as explicitly set forth in this Disclosure Statement.

The Debtors urge you to read this Disclosure Statement carefully for a discussion of voting instructions, recovery information, Classification of Claims, the history of the Debtors and the Chapter 11 Cases, the Debtors' businesses, properties and results of operations, historical and projected financial results and a summary and analysis of the Plan. The Debtors reserve the right to file an amended Plan and Disclosure Statement from time to time.

This Disclosure Statement contains only a summary of the Plan. It is not intended to replace the careful and detailed review and analysis of the Plan, only to aid and supplement such a review. This Disclosure Statement is qualified in its entirety by reference to the Plan, the Plan Supplement, the exhibits attached thereto, and the agreements and documents described therein (including without limitation the various Creditor Settlement Agreements). Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meaning given to those terms in the Plan. In the event of any inconsistency between defined terms in the Disclosure Statement and the Plan, the meaning set forth in the Plan shall govern. *If there is a conflict between the Plan and this Disclosure Statement, the provisions of the Plan (including the exhibits thereto) will govern*. You are encouraged to review the full text of the Plan and Plan Supplement and to read carefully the entire Disclosure Statement, including all exhibits, before deciding how to vote with respect to the Plan.

Except as otherwise indicated, the statements in this Disclosure Statement are made as of the date indicated on the cover and the delivery of this Disclosure Statement

will not imply that the information contained in this Disclosure Statement is correct at any time after that date. Estimates of Claims in this Disclosure Statement may vary from the final amounts of Claims allowed by the Bankruptcy Court.

This Disclosure Statement does not purport to provide you with any legal, business, financial or tax advice. You should consult with your own legal, business, financial and tax advisors as to all matters in connection with the Plan, the solicitation of votes on the Plan and the transactions contemplated by the Plan.

As to any contested matters, adversary proceedings or other actions or threatened actions, this Disclosure Statement is not, and is in no event to be construed as, an admission or stipulation. Instead, this Disclosure Statement is, and is for all purposes to be construed as, solely and exclusively a statement made in settlement negotiations. The settlements and compromises described in the Plan and this Disclosure Statement remain subject to ongoing negotiations with the respective parties.

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I. INTRODUCTION

On April 14, 2010 (the "Petition Date"), Saint Vincents Catholic Medical Centers of New York ("SVCMC"); 555 6th Avenue Apartment Operating Corporation ("555 6th Avenue"); Bishop Francis J. Mugavero Center for Geriatric Care, Inc. ("Bishop Mugavero"); Chait Housing Development Corporation ("Chait"); Fort Place Housing Corporation ("Fort Place"); Pax Christi Hospice, Inc. ("Pax Christi"); Sisters of Charity Health Care System Nursing Home, Inc. d/b/a St. Elizabeth Ann's Health Care & Rehabilitation Center ("St. Elizabeth Ann"); St. Jerome's Health Services Corporation d/b/a Holy Family Home ("Holy Family Home"); and SVCMC Professional Registry, Inc. ("Registry") (collectively hereinafter referred to as the "Debtors") filed petitions for relief under chapter 11 the Bankruptcy Code.

On April 24, 2012, the Debtors filed their initial Plan, which sets forth the manner in which Claims against the Debtors will be treated, which Plan was amended on May 14, 2012 and further revised on May 17, 2012 (and which may be further amended or modified from time to time). The Plan is predicated upon, and seeking approval to implement, various material creditor settlements with the Debtors' largest, secured, priority and/or unsecured creditors, as well as a global intercompany settlement negotiated among the Debtors and with the Official Committee of Unsecured Creditors (the "Committee") and other settling creditor parties. All of these settlements reflect extensive and protracted negotiations among multiple parties – all with the goal of providing for an efficient and expeditious emergence from these Chapter 11 Cases and the avoidance of costly litigation that, if pursued, would only substantially reduce, or perhaps eliminate, recoveries for creditors in these cases. The Debtors believe implementation of the Plan, including the various settlements, will enable them to accomplish the objectives of chapter 11, and is in the best interests of the Debtors and their creditors. The Debtors are soliciting votes to accept or reject the Plan, a copy of which is annexed hereto as Exhibit A. The overall purpose of the Plan is to maximize recoveries to all creditors.

This Disclosure Statement, together with the attached exhibits, provides information to enable the creditors of each Debtor who are entitled to vote to make an informed decision on whether to accept or reject the Plan. Among other things, it describes:

- the plan of the Debtors and how the holders of Allowed Claims are treated (Section VII);
- how to vote on the Plan and who is entitled to vote (Section VIII);
- certain financial information about the Debtors (Section III);
- the businesses of the Debtors, the events leading up to the commencement of these Chapter 11 Cases, including the closure of St. Vincent's Hospital located in Greenwich Village, and significant events that have occurred in the Chapter 11 Cases (Section IV), including the transfer of numerous health care services to new sponsors and providers;
- a description of the intercompany settlement and the material creditor settlements that form the basis of the Plan (Section VI);

- the post-Effective Date organizational structure and governance, including the formation of a Liquidating Trust and operations by the Post-Effective Date SVCMC (Section VII);
- how distributions under the Plan will be made and the manner in which Disputed Claims will be resolved (Section VII(F));
- releases, indemnities, and related injunctions (Section VIII);
- risk and other factors creditors should consider before voting (Section IX);
- the procedure and requirements for confirming the Plan, including a liquidation analysis (Section VIII);
- alternatives to the Plan (Section X); and
- certain federal tax considerations (Section XI).

The Debtors will also file a Plan Supplement containing material documents to be entered in connection with the Plan no later than seven (7) days before the last day to vote to accept or reject the Plan.[1] These documents may be viewed free of charge at http://svcmcrestructuring.com under the Chapter 11 Plan tab or at cost at www.pacer.gov. This Disclosure Statement, the attached exhibits, the Plan and the Plan Supplement are the only materials that you should use in determining whether to vote to accept or reject the Plan. The summaries of the Plan and other documents related to the emergence of the Debtors from Chapter 11 are qualified in their entirety by the Plan, its exhibits, and the documents and exhibits contained in the Plan Supplement.

On May 17, 2012, the Bankruptcy Court approved the Disclosure Statement and thereafter entered an order (the "Disclosure Statement Approval Order") finding that the Disclosure Statement contains "adequate information," *i.e.*, information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the holders of Claims to make an informed judgment about the Plan. This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code to holders of Claims against the Debtors in connection with (i) the solicitation of acceptances of the Debtors' Plan and (ii) the hearing for **June 25, 2012, at 11:00 a.m.** (prevailing Eastern Time) (the "Confirmation Hearing") to consider an order confirming the Plan (the "Confirmation Order").

The Disclosure Statement Approval Order sets forth the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. A Ballot for acceptance or rejection of the Plan is enclosed with this Disclosure Statement submitted to the holders of Claims that are entitled to vote on the Plan. Detailed voting instructions accompany each Ballot.

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[1] There are certain components of the Plan Supplement such as the identity of the Liquidating Trustee and the Responsible Officer that will be filed prior to the Effective Date.

Also enclosed with the approved solicitation materials is a letter from the Committee supporting the Plan and recommending acceptance. The Debtors worked closely with the Committee throughout these cases, including on the formulation of the Plan (including the settlements being approved and implemented pursuant to the Plan) and this Disclosure Statement. As reflected in its accompanying letter, the Committee supports the Plan as the most efficient manner in which to facilitate the distribution of assets or other value in these Chapter 11 Cases.

A. Overview of Chapter 11 and the Plan Confirmation Process

The below provides a general description of chapter 11 and the plan process. To the extent that you have any questions with respect to your individual rights as they are being impacted by the Plan and as set forth in this Disclosure Statement, you are strongly encouraged to contact an attorney.

Chapter 11 of the Bankruptcy Code allows debtors to reorganize or to liquidate and wind up their affairs for the benefit of the debtors and their creditors. Upon the commencement of the case, a debtor typically remains in control of the estate as the debtor-in-possession and an estate is created comprised of all the legal and equitable interests of the debtors as of the date the petition is filed. During these Chapter 11 Cases, the Debtors remained in possession of their property and continue to operate their businesses without the oversight of a trustee.

Pursuant to section 362 of the Bankruptcy Code, the filing of a chapter 11 petition imposes an automatic stay of all attempts by creditors or third-parties to collect or enforce prepetition claims from the debtor or otherwise interfere with its property or business, unless modified by an order of the bankruptcy court.

The Bankruptcy Code is designed to encourage the parties-in-interest in a chapter 11 proceeding to negotiate the terms of a chapter 11 plan so that it may be confirmed. A chapter 11 plan is the vehicle for satisfying or otherwise addressing the claims against and the interests in the Debtor. Confirmation of a chapter 11 plan makes it binding on the debtors and all of its creditors and the prior obligations owed by the debtors to such parties are compromised in exchange for the obligations specified in the plan.

After a chapter 11 plan has been filed, the holders of impaired claims against the debtors are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtors to file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical, reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims against the Debtors entitled to vote under section 1125 of the Bankruptcy Code in connection with the Debtors' solicitation of votes on the Plan.

B. Classes Entitled to Vote on the Plan

Consummation of a plan is the principal objective of a chapter 11 case. A chapter 11 plan sets forth the means for satisfying claims against the debtor. Confirmation of a chapter 11 plan by the bankruptcy court makes the plan binding upon a debtor, any person acquiring

property under the plan and any creditor of a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to confirmation of the plan and substitutes the debt with the obligations specified under the confirmed plan.

Under the provisions of the Bankruptcy Code, not all parties-in-interest are entitled to vote on a chapter 11 plan. The Bankruptcy Code requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against the Debtors into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together.

Under a chapter 11 plan, the separate classes of claims must be designated either as "impaired" or "unimpaired." Under section 1124 of the Bankruptcy Code, a class of claims is "impaired" unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights.

If a class of claims is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims, including, so long as the class of claims will receive a distribution under a plan, the right to vote on that plan. Classes of claims that are "unimpaired" under a plan are deemed to accept the plan under section 1126(f) of the Bankruptcy Code, are impaired and are not entitled to vote on the plan. Classes of claims that are not entitled to receive or retain any property under the plan are deemed to reject the plan under section 1126(g) of the Bankruptcy Code and are not entitled to vote on the plan.

Consistent with these requirements, the Plan divides the Debtors' creditors into four classes. As explained below, only the holders of general unsecured claims in Classes 3 and 4 are entitled to vote on the Plan:

- The Debtors *__are not__* seeking votes from holders of Claims in the following Classes because the Debtors believe they are not impaired by the Plan and therefore will be deemed to have voted to accept the Plan:
  - Class 1 (Priority Non-Tax Claims)
  - Class 2 (Secured Claims)
- The Debtors *__are__* seeking votes from holders of Claims in Classes 3 and 4 because those claims are impaired under the Plan and the holders of Allowed Claims in such classes are receiving a distribution (or possibility of a distribution) under the Plan on account of such Allowed Claims. The holders of such Claims will have the right to vote to accept or reject the Plan. The classes are:
  - Class 3 (GUC Claims) and
  - Class 4 (Multi-Employer Pension Fund Subordinated Unsecured Claims)

See Section VII(c) for a description of the Classes of Claims and their treatment under the Plan.

C. Voting Procedures, Ballots and Voting Deadline

Detailed voting instructions are provided with the Ballot accompanying this Disclosure Statement. Only Classes 3 and 4 are entitled to vote to accept or reject the Plan. If your Claim is not in these classes, you are not entitled to vote and you will not receive a Ballot with this Disclosure Statement. If your Claim is in these Classes, you should read your Ballot and follow the listed instructions carefully. Please use only the Ballot that accompanies this Disclosure Statement. If you hold Claims against multiple Debtors on account of the same liability, then such claims will be aggregated as if you hold one Claim against all Debtors in such Voting Class and the votes related to such claims will be treated as a single vote to accept or reject the Plan. If you hold more than one claim (non-duplicative) against a Debtor in the same Voting Class, then you will be treated as having one claim in such Voting Class. Please sign and complete a separate Ballot with respect to each Claim. *__Only Ballots with original signatures will be counted__*.

Under the Bankruptcy Code, acceptance of a chapter 11 plan by a class of claims is determined by calculating the number and the amount of claims voting to accept, based on the actual total allowed claims voting. Acceptance requires an affirmative vote of more than one-

half of the total allowed claims voting and two-thirds in amount of the total allowed claims voting in any given class. The Bankruptcy Code provides that only Claims actually voted will be counted for purposes of determining whether the requisite acceptances of the Plan are received. Failure to timely deliver a properly completed ballot with respect to any Claim by a holder entitled to vote will constitute an abstention and that Claim will *not* be counted for the purpose of approving the Plan.

Voting Deadline and Record Date

The *last day* to vote to accept or reject the Plan is June 15, 2012. All votes must be received by the Voting Agent by 5:00 p.m. (prevailing Eastern Time) on that date.

The *record date* for determining which creditors may vote on the Plan is May 17, 2012.

The address for delivery of Ballots to the Voting Agent is:

Saint Vincents Catholic Medical Centers of New York (2010)
Ballot Tabulation Center
c/o Epiq Bankruptcy Solutions, LLC
FDR Station
P.O Box 5014
New York, NY 10151-5014

Ballots must have original signatures and may NOT be submitted electronically, including via email or facsimile.

The Plan (including the settlements being approved and implemented pursuant to the Plan) is based on extensive negotiations with holders of the various secured and unsecured Claims against the Debtors. The Debtors believe that approval of the Plan is the best opportunity for each Debtor to maximize value for their creditors and to emerge from chapter 11.

Voting Recommendations

The Debtors and the Committee believe that confirmation of the Plan is the best opportunity for creditors of the respective Debtors to maximize their recoveries. Each of the Debtors and the Committee encourages its creditors entitled to vote to accept the Plan.

If you (a) did not receive a Ballot and believe you are entitled to one; (b) received a damaged Ballot; (c) lost your Ballot; (d) have any questions concerning this Disclosure Statement, the Plan, or the procedures for voting on the Plan, or the solicitation packet of materials you received; or (e) if you wish to obtain a paper copy of the Plan, Disclosure Statement or any exhibits to such documents, please contact Epiq Bankruptcy Solutions at:

If by overnight or regular mail:	If by hand delivery:	If by telephone:
Saint Vincents Catholic Medical Centers of New York (2010) Ballot Tabulation Center c/o Epiq Bankruptcy Solutions, LLC FDR Station P.O. Box 5014 New York, NY 10151-5014	Saint Vincents Catholic Medical Centers of New York (2010) Ballot Tabulation Center c/o Epiq Bankruptcy Solutions, LLC 757 Third Avenue, 3rd Floor New York, NY 10017	866-778-1023

II. SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN

The following is a general overview only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions and information appearing elsewhere in this Disclosure Statement and in the Plan.

The Plan provides for the classification and treatment of claims against each Debtor in a single document and is thus described in a single Disclosure Statement. As set forth in Section 2 of the Plan, except for Administrative Expense Claims, Cash Settlement Claims, Statutory Fees, Compensation Claims, Priority Tax Claims, and DIP Loan Claims, which are not required to be classified, all Claims are divided into Classes under the Plan.

The Claim amounts and recoveries described in the following table and elsewhere in this Disclosure Statement represent the Debtors' best estimates of those values given the information available at this time. As of the date of this Disclosure Statement, the Debtors have completed a preliminary review of these Claims. However, due to the number and amount of Claims in dispute, as well as the risk of error inherent in reconciling such a large number of proofs of claim with the books and records of multiple different entities, it is possible that the actual amount of Allowed Claims may differ materially from the Debtors' estimates. The Debtors continue to seek to resolve Disputed Claims and further refine their Claims analysis. Unless otherwise specified, the estimated Claim amounts and recoveries in the following tables and elsewhere in this Disclosure Statement are based on the Debtors' Claims analysis and financial projections as of the date of this Disclosure Statement, and are subject to change.

The amount of Allowed Unsecured Claims is undetermined at this time, and much of the work to reconcile and adjudicate such Claims is expected to be deferred until after Confirmation of the Plan. The Debtors received approximately 4,700 proofs of claim asserted by

personal injury claimants, trade vendors, employees, and many others, all of which need to be liquidated and/or reconciled. The filed proofs of claim assert approximately $9.5 billion in the aggregate. The Debtors estimate that the GUC Claims will total approximately $1 billion in aggregate. The actual amount and priority of such claims may vary. This paragraph is provided only for informational purposes and is not intended to constitute an admission of the ultimate Allowed amount of these Claims.

In connection with the development of the Plan and in furtherance of the Debtors' and the Committee's goal of administrative solvency for each Estate (*i.e.* the ability to pay in full all Allowed Administrative Expense Claims), the parties engaged in extensive negotiations over the intercompany claims asserted by certain Debtors against the other Debtors which resolved issues including allocation of sale proceeds among the Debtors' Estates and corporate overhead charges. This intercompany settlement facilitates the administrative solvency of each Debtor. The Plan also seeks approval of individual settlements with certain material creditors who asserted significant secured, priority and general unsecured claims. These creditors include the Pension Benefit Guaranty Corporation ("PBGC"), 1199SEIU Healthcare Workers East ("1199 SEIU"), 1199 Funds, the New York State Nurses Association ("NYSNA"), the Department of Labor and the MedMal Trust Monitor. To provide for the administrative solvency of the Debtors' Chapter 11 Estates, to provide for the payment of Allowed Priority Claims and, importantly, to allow for an opportunity for a distribution to holders of Allowed GUC Claims against each of the Debtors, the Debtors have agreed to enter into various Settlement Agreements with the aforementioned creditors. The Plan seeks approval of these Creditor Settlement Agreements and these settlements represent an important step in the Debtors' emergence from Chapter 11 and recovery for all creditors. Importantly, distributions to holders of Allowed Unsecured Claims is dependent on the approval of the Settlement Agreements. As discussed more fully below in Section VI, these settlements obviate the need for complicated and costly litigation on a variety of legal and factual issues and claims, including, without limitation, the allocation of proceeds from the sale of assets and allocation and resolution of intercompany claims. If the Settlement Agreements are not approved and the Effective Date under the Plan does not occur, then the Debtors will litigate these issues, including allocation of asset sale proceeds and disputed secured, administrative, priority and/or general unsecured claims. The Debtors might also be required to propose separate chapter 11 plans for each Estate, which may not provide for as favorable treatment to holders of Allowed Claims as the proposed Plan provides. There could also be significant costs associated with such litigation, which may both delay and decrease distributions to holders of Allowed Claims. For this reason, the Debtors believe that the Settlement Agreements and the Plan are in the best interests of creditors.

The Plan provides for an orderly distribution of value to allowed claimholders through a transfer of certain assets and net sale proceeds to a Liquidating Trust, managed by a Liquidating Trustee and overseen by a Post-Effective Date Committee, while also preserving ongoing value from the continued operation of certain healthcare services managed by the Post-Effective Date SVCMC.

Under the Plan and as more fully described in the Plan, the potential distributions to holders of Allowed Claims are estimated to be as follows:

Class	Treatment	Status / Entitled to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery
Class 1 **Priority Non-Tax Claims**	Each holder of an Allowed Claim in Class 1 will receive Cash equal to 100% of the unpaid amount of such Allowed Claim. For any Manhattan Physician Staff, Manhattan House Staff or Westchester Covered Staff that elected to contribute all or a portion of the proceeds of their Priority Non-Tax Claims to the applicable Tail Fund in accordance with the Tail Settlement Agreements, such portion of the Priority Non-Tax Claim will be contributed by the Liquidating Trustee to the respective Tail Fund.	Not Impaired Not Voting (deemed to accept)	$19.5 million	100%
Class 2 **Secured Claims**	Each holder of an Allowed Secured Claim in Class 2 will receive, in full satisfaction of its Secured Claim, the Collateral securing the Allowed Secured Claim, the value of the Collateral or the net proceeds (if any) from the sale of such Collateral. To the extent that either the value or the net proceeds (as applicable) of the Collateral attributable to the specific Secured Claim is less than the total Allowed amount of such Claim, the undersecured portion shall be treated as an Allowed Unsecured Claim in Class 3.	Not Impaired Not Voting (deemed to accept)	Value of the Collateral	100%
Unsecured Claims				
Class 3 **GUC Claims**	Each holder of an Allowed Claim in Class 3 will receive, in full satisfaction of the unpaid amount of such Allowed Claim, a Pro Rata Share of the proceeds in the Unsecured Claims Fund. All GUC Claims against each of the Debtors will be aggregated.	Impaired Entitled to Vote	$1.05 billion	Undetermined
Class 4 **Multi-Employer Pension Fund Subordinated Unsecured Claims**	Each holder of an Allowed Claim in Class 4 will receive, in full satisfaction of its Allowed Claim, a Pro Rata Share of the proceeds in the Unsecured Claims Funds, only after all Allowed Claims in Class 3 are paid in full.	Impaired Entitled to Vote	$63.8 million	Undetermined

III. GENERAL INFORMATION ABOUT THE DEBTORS AND THEIR BUSINESSES

The following is a discussion of the Debtors' businesses and pertinent events that have occurred during the Chapter 11 Cases including the transfer of certain of the Debtors' businesses and satisfaction of major secured claims. Where relevant, the following addresses pertinent events prior to the commencement of the Chapter 11 Cases.

A. Debtors' Prepetition Businesses

Before the Petition Date, the Debtors operated the only remaining Catholic-sponsored, acute-care hospital network in New York City. The Debtors' operations were founded by the Sisters of Charity in 1849. Dedicated to fulfilling a charitable healthcare mission, the Debtors were committed to a mission that demands they give "Respect, Integrity, Compassion and Excellence to all who come to us in need, especially the poor" (the "Mission").

Prior to the Petition Date, the Debtors' operations centered around St. Vincent's Hospital Manhattan (the "Manhattan Hospital") which was located in the Greenwich Village section of Manhattan. The Debtors operated numerous other services, including a behavioral health facility, skilled nursing facilities, continuing care facilities, a hospice, home health agencies, and numerous clinics. Additionally, the Debtors operated certain physician-related affiliates, provided specialized care across 14 clinical departments, and were affiliated with 18 licensed behavioral health and community medicine programs and six ambulatory care providers in Manhattan, including the Comprehensive Cancer Center as further described below. The Debtors also operated, and continue to operate, a military health plan serving active duty dependents, retirees, and their families.

Because of their Mission, the Debtors provided critical healthcare services to vulnerable populations that other providers in the area lacked sufficient capacity to provide. By way of example, the Manhattan Hospital operated one of the largest AIDS treatment centers in New York, treating more than 4,500 individuals on an inpatient and outpatient basis and the community medicine program provided services to approximately 10,000 homeless and homebound. Additionally, approximately 47% of the Manhattan Hospital's 60,000 emergency medicine visits were Medicaid and self-pay patients, resulting in lower revenues. Notably, prior to the Petition Date, the Manhattan Hospital was found to be one of the most underpaid hospitals based on its actual service to the uninsured with over $36 million in charitable care in 2009.

B. The Debtors

1. *Saint Vincents Catholic Medical Centers of New York ("SVCMC")*

On the Petition Date, the following businesses were divisions of SVCMC:

(a) The Manhattan Hospital – Founded in 1849, the Hospital was licensed as a 727-bed facility located at 170 West 12th Street in the Greenwich Village section of Manhattan. Until shortly before the Petition Date, the Hospital offered a wide variety of acute-care and related services, including behavioral health, cancer, cardiology, HIV treatment, orthopedic

surgery, obstetric/maternity, pediatrics, intensive care units, rehabilitation and child psychiatry. The Manhattan Hospital was also certified as a Level One trauma center. The process of closing the Manhattan Hospital occurred prior to and during the Chapter 11 Cases.

(b) St. Vincent's Hospital Westchester ("St. Vincent's Westchester") – Founded in 1879 by the Sisters of Charity, St. Vincent's Westchester provided mental health care and substance abuse services, on both an inpatient and an outpatient basis, to individuals in all stages of illness and recovery. With its principal facility located in Harrison, New York, St. Vincent's Westchester provided a 24-hour emergency evaluation and referral center, and a total of 133 licensed beds dedicated to psychiatric care and alcohol rehabilitation through residential homes and facilities located throughout New York City and almost 600 residential beds for individuals with histories of psychiatric illness/chemical dependency in the five boroughs. St. Vincent's Westchester was sold and transferred to a new sponsor during the Chapter 11 cases. See Section (V)(G)(2)(b).

(c) SVCMC Home Health Agency ("Home Health") – SVCMC's Home Health division provided skilled nursing and rehabilitative services to patients in New York's five boroughs and Nassau and Suffolk counties, through both a "long-term" home health care program (the "Long-Term Home Health Care Program") and a certified home health agency program (the "CHHA"). The Home Health businesses were sold and transferred to new sponsors during the Chapter 11 cases. See Section (V)(G)(2)(a)(iii-iv).

(d) Uniformed Services Family Health Plan ("US Family Health Plan") – SVCMC is the designated managed care provider of the US Family Health Plan, serving parts of New York, all of New Jersey, southeastern Pennsylvania and western Connecticut. The US Family Health Plan is a managed health plan, sponsored by the Department of Defense through its TRICARE program, for dependents of active duty servicemen, armed services retirees and their families. SVCMC administers the US Family Health Plan and plan members had access to the Debtors' facilities. SVCMC has operated the US Family Health Plan since the Petition Date. Under the Plan, it will continue to operate USFHP until termination or novation of the USFHP Contract (and any renewals thereof). **THE CHAPTER 11 PLAN WILL NOT IMPACT THE COVERAGE AND/OR REIMBURSEMENT OF MEMBERS AND PROVIDERS.**

(e) St. Vincent's Comprehensive Cancer Center ("Cancer Center") – The Cancer Center was an outpatient facility affiliated with the Hospital that provided cancer care, diagnosis, treatment and recovery, as well as counseling, nutrition, therapeutic and educational services. Aptium Oncology, a national provider of oncology management and consulting services, operated the Cancer Center pursuant to prepetition agreements

with SVCMC. The Cancer Center was sold and transferred to a new sponsor during the Chapter 11 cases. See Section (V)(G)(2)(a)(ii).

2. Pax Christi Hospice ("Pax Christi")

Pax Christi provided at-home hospice services in Manhattan, Brooklyn, Queens, the Bronx and Staten Island as well as inpatient hospice care for special needs in furtherance of services provided at the Manhattan Hospital. Pax Christi also offered bereavement counseling to families of the deceased. Pax Christi was sold and transferred to a new sponsor during the Chapter 11 cases. See Section (V)(G)(2)(a)(i).

3. Bishop Francis J. Mugavero Center for Geriatric Care ("Bishop Mugavero")

Bishop Mugavero was a 288-bed, long-term geriatric care facility located in the Boerum Hill section of Brooklyn. This facility was sold and transferred to a new sponsor during the Chapter 11 cases. See Section (V)(G)(2)(c)(i).

4. St. Jerome's Health Services Corporation d/b/a Holy Family Home ("Holy Family Home")

Holy Family Home was a 200-bed, long-term, geriatric care facility located in the Bensonhurst section of Brooklyn. This facility was sold and transferred to a new sponsor during the Chapter 11 cases. See Section (V)(G)(2)(c)(i).

5. Sisters of Charity Health Care System Nursing Home, Inc. d/b/a St. Elizabeth Ann's Health Care Rehabilitation Center ("St. Elizabeth Ann")

St. Elizabeth Ann was a 300-bed, skilled nursing and rehabilitative care facility located in Staten Island. In addition to long-term care, this facility provided highly specialized sub-acute, neuro-behavioral, and extensive AIDS-related services. This facility was sold and transferred to a new sponsor during the Chapter 11 cases. See Section (V)(G)(2)(c)(ii).

6. SVCMC Professional Registry, Inc. ("Professional Registry")

Professional Registry is a wholly-owned, for-profit subsidiary of SVCMC that manages the placement of qualified practical and registered nurses, nurse's aides, office staff and other healthcare professionals at the Medical Centers and at other facilities. As of the Petition Date, the SVCMC Professional Registry had little or no business operations and minimal revenues and no operations continued during the pendency of the Chapter 11 Cases.

7. 555 6th Avenue Apt. Operating Corporation ("555 6th Avenue")

555 6th Avenue was a for-profit holding company that managed an apartment complex (the "Staff House") owned by SVCMC located in New York City that housed graduate medical residents. Staff House was sold during the Chapter 11 cases. See Section (V)(G)(2)(e)(i).

8. The Housing Development Corporations

Certain of the Debtors are wholly-owned, not-for-profit subsidiaries that held parcels of real estate related to the behavioral health business of St. Vincent's Westchester, which was part of SVCMC. These consisted of (i) Chait Housing Development Corporation and (ii) Fort Place Housing Corporation. The assets of these Debtors were transferred to the purchaser of St. Vincent's Westchester.

C. The Non-Debtors

The Debtors also have certain non-Debtor affiliates:

1. Queensbrook Insurance Limited ("QIL")

QIL is a wholly-owned, for-profit subsidiary of SVCMC. Organized as an exempted company under the Companies Law of the Cayman Islands, QIL provides insurance and reinsurance to SVCMC affiliates and physicians for, among other things, its facilities, workers' compensation, automobile liability and general liability. The PBGC filed statutory liens in the aggregate amount of $23 million against QIL for SVCMC's missed contribution to the Pension Plan as more fully set forth in the PBGC Settlement Agreement.

2. Queensbrook NY LLC ("Queensbrook NY")

Queensbrook NY is a wholly-owned captive insurance subsidiary of SVCMC. Organized as a New York corporation, Queensbrook NY underwrites medical malpractice for physicians employed by or affiliated with SVCMC and includes coverage for their practices both within and outside the purview of SVCMC facilities. The PBGC filed statutory liens in the aggregate amount of $23 million against QNY for SVCMC's missed contribution to the Pension Plan as more fully set forth in the PBGC Settlement Agreement.

3. East Nineteenth Street LLC ("East Nineteenth Street")

SVCMC created East Nineteenth Street LLC, a wholly-owned New York limited liability company, in 2008 and transferred certain rights and claims held by SVCMC against Cabrini Medical Center ("Cabrini"). Cabrini issued a promissory note to East Nineteenth Street in the original principal amount of $4 million, which was secured by a lien on Cabrini's assets. Pursuant to a stipulation entered in the Cabrini bankruptcy case, also pending in the Southern District of New York, East Nineteenth Street received payment of approximately $1.8 million in satisfaction of its lien in November 2010.

4. The Saint Vincent Catholic Medical Center Foundation (the "Foundation")

Incorporated in 2002, the Foundation is a not-for-profit subsidiary of SVCMC that (i) oversees the management, allocation and investment of the Hospital's endowment to support vital programs and capital improvements and (ii) seeks to increase philanthropic support of the Medical Centers. As of the Petition Date, SVCMC held certain restricted fund donations.

Since the Petition Date, SVCMC has filed certain cy pres proceedings[1] under state law concerning these funds. Such proceedings are still ongoing, and upon their conclusion, the affairs of the Foundation will be wound down.

5. The Professional Corporations

SVCMC is affiliated with professional corporations, which employ physicians who provide specialized medical services to patients on behalf of the Hospital. These consist of: (i) Medical Service of St. Vincent's Hospital & Medical Center, P.C.; (ii) St. Vincent's Emergency Services, P.C.; (iii) St. Vincent's Physician Services, P.C.; and (iv) Surgical Service of St. Vincent's, P.C. These professional corporations were managed by the Chair of the Department for that practice specialty, who is also their sole shareholder. SVCMC is in the process of dissolving these professional corporations.

6. Housing Development Corporations

SVCMC owned the membership interests of Immaculata Hall Housing Development Corporation and St. Mary's Supporting Housing Development Corporation. SVCMC's interests in these two entities were sold as part of the SVW Sale to St. Joseph's Medical Center.

D. Debtors' Prepetition Debt Structure

In 2005, SVCMC and certain affiliates[2] filed voluntary petitions under the United States Bankruptcy Code (the "SV1 Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of New York. In the summer of 2007, SVCMC and its then-debtor affiliates confirmed and consummated a plan of reorganization (the "SV1 Plan"). After a long chapter 11 process, the reorganized debtors emerged from chapter 11 with a complex capital structure consisting of various layers of secured debt and substantial unsecured liabilities, collectively totaling over $1 billion. Each material obligation is discussed in turn immediately below.

1. The Prepetition Facility

The Debtors' primary credit facility (the "Prepetition Facility") was a senior secured term and revolving loan facility provided to SVCMC by General Electric Capital Corporation ("GE Capital"), as agent (in such capacity, the "Prepetition Agent"), letter of credit issuer and lender, and Commerce Bank, N.A., as lender (n/k/a TD Bank, N.A.) (together with GE Capital as lender, the "Prepetition Facility Lenders"). The Prepetition Facility was

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[1] Cy pres proceedings may be brought when the intended recipient of donations can no longer use such funds and judicial intervention is sought to determine whether the funds may be distributed to other recipients that would continue to satisfy the donor's intentions. These restricted-purpose donations are not property of the Estates and, therefore, may not be used to satisfy Claims against the Debtors' Estates.

[2] Of the Debtors in these Chapter 11 Cases, only SVCMC was a debtor in the SV1 Chapter 11 Cases. Pax Christi, Fort Place, Chait, St. Elizabeth Ann's, Holy Family Home, Bishop Mugavero and Professional Registry were not debtors in those cases.

guaranteed, on joint and several bases, by Holy Family Home and Pax Christi (such entities, together with SVCMC as borrower, collectively the "Original Prepetition Credit Parties").

The Prepetition Facility provided the exit financing necessary for emergence from the SV1 Chapter 11 Cases. Proceeds of the Prepetition Facility were used to refinance the prior debtor-in-possession financing facility, fund the SV1 Plan obligations, pay transaction costs, and provide post-emergence liquidity for working capital and general corporate needs of SVCMC and the other Debtors.

The Prepetition Facility was comprised of two separate facilities: a $270 million term loan (the "Term Loan") and a $50 million revolving credit facility (the "Revolving Facility"). The Prepetition Facility was scheduled to mature on August 30, 2014. The Prepetition Facility was secured by liens and security interests on substantially all the assets of SVCMC and Pax Christi and many of the assets of Holy Family Home. The liens and security interests were generally of first priority, but were subordinate to certain existing secured debt.

In 2009, the Prepetition Facility went into default due to the Original Prepetition Credit Parties' failure to comply with certain covenants. Discussions occurred among the Prepetition Lenders and the Original Prepetition Credit Parties, but the Prepetition Lenders did not declare a default or exercise their legal rights and remedies.

In February and March 2010, the Original Prepetition Credit Parties requested emergency advances from the Prepetition Lenders (as described in more detail below). In connection with the making of such advances, Bishop Mugavero and St. Elizabeth Ann's (such entities, together with the Original Prepetition Credit Parties, being the "Prepetition Credit Parties") guaranteed the Prepetition Facility and provided the Prepetition Agent with liens and security interests in their assets. At the same time, Holy Family Home provided liens and security interests in certain additional assets.

As of the Petition Date, the amount due under the Prepetition Facility was approximately $314 million.

2. *Sun Life Mortgage Loans*

On August 30, 2007, SVCMC issued two promissory notes to Sun Life. The first promissory note, in the principal amount of $42.5 million (the "Staff House Note"), was secured by (i) a first priority mortgage and security interest on, and an assignment of the leases and rents of, the Staff House, and (ii) a second priority mortgage and security interest on, and an assignment of the leases and rents of, approximately 67 acres of real property owned by SVCMC and the improvements thereon (the "Westchester Real Property") and used by St. Vincent's Westchester facility located in Harrison, New York, as well as certain personalty related thereto. The second promissory note, in the principal amount of $17.5 million (the "Westchester Note" and, together with the Staff House Note, the "Sun Life Notes"), was secured by a first priority mortgage and security interest on, and an assignment of leases and rents of, the Westchester Real Property, as well as certain personalty related thereto.

Each of the Sun Life Notes bears interest at a rate equal to 6.25% per annum and was set to mature on September 1, 2014. As of the Petition Date, approximately $40 million and

$16.4 million in principal were owed on the Staff House Note and the Westchester Note, respectively. After the Petition Date, Sun Life transferred the Staff House Note to VIII SV556 Lender, LLC.

3. MedMal Trusts' Secured Claim

Under the SV1 Plan, SVCMC agreed to fund three separate medical malpractice trusts (the "MedMal Trusts") to pay some or all of its estimated liability for medical malpractice claims against its physicians and employees arising before the filing of the SV1 Chapter 11 Cases. The three MedMal Trusts correspond to the three regions in which SVCMC operated prior to the commencement of the SV1 Chapter 11 Cases: Manhattan/Westchester, Brooklyn/Queens and Staten Island. Approximately $42 million was contributed to the MedMal Trusts at the conclusion of the SV1 Chapter 11 Cases and an additional $10 million was funded on or about August 30, 2008. Under the SV1 Plan, the balance was to be funded through annual payments over nine years.

To secure SVCMC's funding obligations to the MedMal Trusts, SVCMC granted to the MedMal Trusts: (i) a second priority mortgage and security interest on Staff House and (ii) a second priority mortgage and security interest on the Westchester Real Property.

4. Pension Benefit Guaranty Corporation/Pension Plan

SVCMC sponsored the Saint Vincents Catholic Medical Centers Retirement Plan (the "Pension Plan"), which was a defined benefit pension plan insured by the Pension Benefit Guaranty Corporation (the "PBGC") under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §§ 1301-1461, et seq. The Pension Plan was subject to minimum funding requirements of ERISA and § 412 of the Internal Revenue Code.

Upon the emergence from the SV1 Chapter 11 Cases, SVCMC assumed its Pension Plan obligations and its obligations as contributing plan sponsor under ERISA and paid $75 million to the Pension Plan in 2007. The SV1 Plan also required SVCMC to pay the Pension Plan $13.5 million in each calendar year 2008 through 2012.

After the Debtors failed to make a required quarterly contribution to the Pension Plan of approximately $5 million on January 15, 2010, a statutory lien against the "controlled group" in favor of the PBGC arose in an amount equal to the Debtors' missed contribution payment. The PBGC perfected this lien against the Debtors on February 5, 2010.

On or about February 4, 2010, the PBGC and the Prepetition Agent entered into a Lien Subordination Agreement under which the PBGC agreed to (i) subordinate its liens in the Prepetition Credit Parties' personal property to the lien of the Prepetition Agent, and (ii) subordinate its liens to any subsequent liens granted by the Prepetition Credit Parties to secure additional or replacement financing prior to March 22, 2010 (the "Advance Cutoff Date"). On March 16, 2010, the parties entered into an amendment which extended the Advance Cutoff Date until April 22, 2010.

Pursuant to section 4001(14) of ERISA and 29 C.F.R. § 4001.2, the asserted claims of the PBGC are "controlled group" claims for which the Debtors and their non-Debtor affiliates are jointly and severally liable.

The $5 million statutory lien discussed above also attached at the QIL Entities. The PBGC perfected such lien against these entities on February 5, 2010. Up until the Pension Plan was terminated in November 2010 (retroactive to September 14, 2010), each time the Debtors failed to make further quarterly contributions, the PBGC perfected additional liens upon the assets of the QIL Entities. In total, the liens at the QIL Entities in favor of the PBGC are approximately $23 million. The PBGC also filed claims in these Chapter 11 Cases asserting, among other things, minimum funding contributions, termination premiums and underfunded benefit liabilities, which are asserted against the Debtors' "controlled group," which includes the QIL Entities. As discussed in further detail below, the secured and unsecured claims of the PBGC against the entire "controlled group" are resolved pursuant to the PBGC Settlement Agreement as described in Section VI(B).

NOTHING SET FORTH IN THIS DISCLOSURE STATEMENT AND THE PLAN IMPACTS THE RIGHTS TO COLLECT BENEFITS OF ANY PARTICIPANT IN THE PENSION PLAN THAT IS IN THE TRUSTEESHIP OF THE PBGC.

5. Aptium

On or about April 11, 1996, SVCMC entered into a consulting and administrative services agreement (as amended, the "Consulting Agreement") with the predecessor in interest to Aptium W. New York, Inc. ("Aptium"), pursuant to which Aptium agreed to provide development, consulting, administrative and other services to SVCMC's comprehensive outpatient cancer center. To secure the payment of fees due to Aptium under the Consulting Agreement, SVCMC granted to Aptium a lien and security interest on all of the revenue generated solely from the cancer-related services actually provided by Aptium through the Cancer Center (the "Cancer Care Receivables").

On August 30, 2007, Aptium and the Prepetition Agent entered into the Aptium/Prepetition Agent Intercreditor Agreement, which provides that Aptium's security interest in the Cancer Care Receivables is senior to the Prepetition Agent's security interest therein. During the course of the Chapter 11 Cases, the Debtors have made periodic payments to Aptium on account of the Cancer Center Receivables.

6. DASNY/HUD Bonds for Bishop Mugavero

On January 28, 1993, the Dormitory Authority of the State of New York ("DASNY") (through its predecessor, the New York State Medical Care Facilities Finance Agency ("MCFFA")) issued its Hospital and Nursing Home Insured Mortgage Revenue Bonds, 1993 Series A (the "1993 Series A Bonds"). On April 21, 1993, a portion of the proceeds of the 1993 Series A Bonds were loaned to Bishop Mugavero. To evidence this loan, Bishop Mugavero issued a Mortgage Note (the "Bishop Mugavero Note") in the principal amount of approximately $27 million in favor of MCFFA, due February 1, 2025. As of the Petition Date, approximately $20 million in principal remained outstanding.

The Bishop Mugavero Note, and the performance by Bishop Mugavero of its obligations under a Regulatory Agreement and Building Loan Agreement executed in connection with the Bishop Mugavero Note, was secured by a mortgage and security interest on, and an assignment of the leases and rents of (the "Bishop Mugavero Mortgage"), certain real property located at 155 Dean Street, Brooklyn, New York (the "Bishop Mugavero Nursing Home Facility"). As additional security for its obligations under the Bishop Mugavero Note, Bishop Mugavero also granted to DASNY a first lien in and security interest on all equipment, furniture and fixtures located at the Bishop Mugavero Nursing Home Facility.

Bishop Mugavero established a "depreciation reserve fund" (the "Bishop Mugavero Depreciation Reserve Fund") to service the amounts due under the Bishop Mugavero Note. As of the Petition Date, the Bishop Mugavero Depreciation Reserve Fund contained approximately $2.4 million.

The Bishop Mugavero Mortgage was insured by the United States of America acting through the Department of Housing and Urban Development ("HUD"). To effectuate HUD's insurance obligations, Bishop Mugavero set up an additional reserve fund (the "Bishop Mugavero Operating Escrow Account") to, among other things, fund replacement of structural elements and mechanical equipment at the Bishop Mugavero Nursing Home Facility. As of the Petition Date, the Bishop Mugavero Operating Escrow Account contained approximately $9.6 million.

7. DASNY and Prepetition Lender Emergency Funding Transactions

In the months leading up to the Petition Date, both DASNY and the Prepetition Lenders provided emergency funding for the Debtors to continue their operations. On February 2, 2010, DASNY made a $6 million emergency loan (the "Initial DASNY/SVCMC Loan") to SVCMC pursuant to the Reimbursement and Security Agreement ("Reimbursement Agreement"). On February 16, 2010, DASNY amended the Reimbursement Agreement and made an additional loan to SVCMC in the amount of $3 million dollars (together with the Initial DASNY/SVCMC Loan, the "DASNY/SVCMC Emergency Loans"). As of the Petition Date, $9 million in principal was owed in respect of the DASNY/SVCMC Loans.

As security for the DASNY/SVCMC Emergency Loans, SVCMC granted a lien in and security interest to DASNY on those certain "Arbitrage Rebate Accounts" (as such term is defined in the Reimbursement Agreement), a junior lien on the "gross receipts" (as such term is defined in the Reimbursement Agreement), a third priority mortgage and security interest on, and an assignment of the leases and rents of, the O'Toole Building, and second-, third- and fourth-priority mortgages on various other real properties of SVCMC. On or about February 8, 2010, the Prepetition Agent and DASNY entered into an Amended and Restated Intercreditor Agreement (the "DASNY/Prepetition Agent Intercreditor Agreement") to determine the relative priority of their liens on the above-listed collateral.

On February 3, 2010 and March 8, 2010, the Prepetition Lenders provided emergency loans of $3 million and $5 million respectively. In exchange for the emergency loans, Bishop Mugavero and St. Elizabeth Ann's agreed to guarantee the Prepetition Facility and

to provide liens and security interests in certain of their assets and Holy Family Home agreed to provide additional liens and security interests in its assets.

In addition, on March 22, 2010, DASNY made an additional emergency loan in the amount of $1 million to SVCMC (the "Assembly Grant Loan") pursuant to a new Reimbursement and Security Agreement, which is secured by a first priority lien on the $1 million grant (the "Assembly Grant") to be made from the "HCRA Speaker's Priority Pool." The Assembly Grant Loan must be repaid in full immediately upon the receipt of the proceeds of the Assembly Grant. If the Assembly Grant was not received by September 1, 2010, then the Assembly Grant Loan was to be repaid in 10 monthly installments of $100,000, commencing on September 1, 2010. Pursuant to an amendment to the DASNY/Prepetition Agent Intercreditor Agreement, Prepetition Agent agreed to subordinate its liens on the Assembly Grant to DASNY's lien.

The Debtors did not receive the Assembly Grant. The full principal amount of the Assembly Grant Loan remains outstanding.

8. QIL Loan

In November 2009, SVCMC issued a promissory note (the "QIL Note") in the principal amount of $5 million to QIL. The QIL Note matured on October 1, 2010. The principal balance of the QIL Note was payable quarterly in four equal installments. Interest accrued on amounts outstanding under the QIL Note at a rate equal to 6% per annum, and was payable monthly. To secure its obligations under the QIL Note, SVCMC granted QIL a first lien on its right to distributions under the Indigent Care and Professional Education Pools (the "Pools") for the calendar years 2009 and 2010. To further secure its obligations under the QIL Note, SVCMC entered into an Account Agreement with TD Bank, N.A., QIL and the Prepetition Agent (which has a second lien on the Pools) pursuant to which QIL, in the first instance, has the right to direct disposition of funds in the Pool Account without the further consent of SVCMC. As of the Petition Date, approximately $5 million was owed on account of the QIL Note. The amounts owed pursuant to the QIL Note were paid by SVCMC in December 2010.

IV. EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASE

SVCMC emerged from the SV1 Chapter 11 Cases subject to burdensome financial obligations and, simultaneously, the nursing homes were subject to significant debt service as well. The Debtors' burdensome debt levels, combined with their operating losses, severely constrained their liquidity. To sustain patient care and operations while alternatives were pursued, in the months leading up to the Petition Date, the Debtors cut costs and expenses, and pursued emergency funding. In late 2009, SVCMC determined to seek a restructuring with a new infusion of capital or a potential sponsor to continue the operation of the Manhattan Hospital, as discussed in more detail below. Ultimately, these efforts proved unsuccessful, necessitating the filing of these Chapter 11 Cases. Significant precipitating factors include:

1. Significant Operating Losses

Although the Debtors' operating revenues had remained stable, the Debtors incurred operating losses of approximately $43 million in 2008 and approximately $64 million in 2009. During this period, the Manhattan Hospital alone had operating losses of approximately $81 million in 2008 and $107 million in 2009. The losses stemmed from four principal causes:

(a) Operational Footprint and Costs

The Manhattan Hospital's operating footprint and staffing far exceeded the diminished requirements of its business and services. Significant changes in the healthcare industry reduced hospital admissions. Services once performed on an inpatient basis were increasingly provided on an outpatient basis, lowering Hospital admissions. Although the Manhattan Hospital was certified as a 727-bed hospital, by early 2010, its daily census averaged only approximately 340 beds. Despite reduced utilization, the Manhattan Hospital still bore many of the operating costs of the large facility.

The Manhattan Hospital also was not able to reduce its workforce to conform with its diminished operations, thus incurring higher labor costs than appropriate for ongoing operations. In February 2010, the unionized workforce agreed to temporary wage concessions to provide the Debtors with immediate cash flow relief, implemented together with other wage concessions for the Debtors' non-unionized workforce and management. While these concessions were significant and necessary for immediate cash flow purposes to preserve operations, they were temporary and did not provide for long-term reductions required to sustain future operations.

Other factors contributing to the operating losses, which many other hospitals suffered, included rising equipment and supply costs, rising malpractice costs, migration of profitable services to an unregulated environment, reduction in elective procedures by patients, and the increased cost of borrowing.

(b) Patient Mix and Reimbursement Experience

The Debtors' patient population and its declining reimbursement experience combined to limit its revenue. The Manhattan Hospital had one of the highest percentages of Medicare and self-pay (*i.e.* uninsured) discharges per year, combined with the lowest percentage of high margin, private payors, of all Manhattan hospitals. Additionally, approximately 56% of the Manhattan Hospital's inpatient admissions came through the Emergency Medicine Department where treatment was required without regard to ability to pay. Moreover, the Manhattan Hospital's reimbursement rates were not competitive with other hospitals in the area.

(c) Profound Financial Crisis in New York and the Nation

The nationwide and local financial crisis in the years prior to the filing of these Chapter 11 Cases magnified the Debtors' financial challenges. In an effort to balance budgets in a deteriorating economic climate, New York State and the Federal government reduced hospital reimbursement rates, which disproportionately impacted the Debtors with their high governmental payor patient population.

(d) Burdensome Prepetition Indebtedness

As described in more detail above in Section III(D), the Debtors' financial and other obligations stemming from their prepetition indebtedness resulted in payments that exceeded what the operations could bear. In 2008 and 2009, the Debtors faced approximately $45 million and $55 million, respectively, in debt service obligations. In addition, SVCMC was required to make annual payments of approximately $23.5 million to the MedMal Trusts and the Pension Plan. These payments aggravated the liquidity crisis affecting the Debtors' prepetition operations.

2. Retention of Chief Restructuring Officer, Chief Financial Officer and Crisis Management

Given the significant operating losses and financial constraints, the Board of Directors formed a special Restructuring Committee in December 2009 to evaluate strategic alternatives for an operational and financial restructuring. The Board of Directors retained Kramer Levin Naftalis & Frankel LLP to provide legal counsel. Thereafter, in January 2010, the Board of Directors appointed Mark E. Toney as Chief Restructuring Officer and retained Grant Thornton LLP as crisis managers. In addition, the Board also retained three investment banking firms to advise on potential sale and partnership transactions. In February 2010, the Board appointed Steven Korf as Chief Financial Officer. This team of restructuring professionals, working closely with senior management, and local, federal and state officials, evaluated strategic options, devised a business plan, identified sources of liquidity, and negotiated with potential strategic partners and acquirers.

3. Formation of the Task Force and Events Preceding Closure of the Manhattan Hospital

In December 2009, the Debtors' senior management and their advisors engaged in active discussions with the Debtors' major stakeholders to address the Debtors' deteriorating financial condition and to assess all potential options to preserve the Manhattan Hospital's long-term viability, including a capital infusion, identifying a healthcare partner or a new sponsor to keep the Manhattan Hospital open, and marketing the Debtors' non-Manhattan Hospital businesses for sale and transfer to new operators.

To prevent an emergency bankruptcy filing and allow the Debtors to make payroll during the first week of February, New York State and the Prepetition Lenders provided the Debtors with a $6 million emergency loan. The Prepetition Lenders and New York State (including the State Assembly) then extended $12 million in additional loans to sustain the Debtors' operations while operating alternatives were pursued. To further address liquidity constraints, the Debtors' union and non-union employees agreed to provide temporary wage reductions.

On February 3, 2010, then-Governor of New York, David A. Paterson, called for the creation of the Saint Vincent's Medical Center Stakeholder Task Force ("Task Force") to explore preservation of the Manhattan Hospital as an acute-care healthcare provider. On February 5, 2010, the Governor announced the formation of a Task Force that included: (i)

Governor David A. Paterson; (ii) New York State Department of Health Commissioner Richard F. Daines, M.D.; (iii) SVCMC's Chief Restructuring Officer, Sponsors, and Board of Directors; (iv) United States Senator Charles Schumer; (v) United States Senator Kirsten Gillibrand; (vi) United States Congressman Jerrold Nadler; (vii) New York State Senator Tom Duane; (viii) New York State Assembly Member Deborah Glick; (ix) New York State Assembly Member Richard Gottfried; (x) New York State Assembly Member Linda Rosenthal; (xi) New York State Assembly Member Matthew Titone; (xii) New York City Council Speaker Christine Quinn; (xiii) Manhattan Borough President Scott Stringer; (xiv) New York City Comptroller John Liu; (xv) Public Advocate Bill de Blasio; (xvi) General Electric Capital Corporation; (xvii) TD Bank; (xviii) 1199SEIU; (xix) NYSNA; (xx) Committee of Interns and Residents/SEIU; and (xxi) Greater New York Hospital Association.

The Debtors and the Task Force immediately turned their attention to obtaining emergency interim financing to allow sufficient time for the Manhattan Hospital to assess all viable options and to conduct a meaningful search – outside of bankruptcy – for an alliance, affiliation, partnership, or new sponsorship with a financially stronger healthcare group or chain. Additionally, the Debtors, with the assistance of their investment bankers and brokers, began the process of marketing their non-Hospital businesses and facilities. The Governor's Task Force was closely engaged in the restructuring process, having met by telephone (and in-person) on almost a daily basis.

(a) Marketing of the Non-Manhattan Hospital Services[3]

Prior to the Petition Date, the Debtors, with the assistance of their restructuring professionals, began marketing their Non-Manhattan Hospital Services and the Staff House. The marketing took place on a local, regional and national level. Over 400 parties were contacted, over 130 confidentiality agreements were prepared, 100 on-site visits conducted, and over 25 written indications of interest submitted. Ultimately, the prepetition Debtors entered into seven non-binding letters of intent for certain of the Non-Manhattan Hospital Services. These marketing processes continued into these Chapter 11 Cases resulting in the sale of substantial operating businesses to new providers.

(b) Marketing of the Manhattan Hospital

Prior to the Petition Date, the Debtors searched for a capital infusion or new healthcare partner or affiliation to preserve the Manhattan Hospital operations and improve its reimbursement rates, enable the retention of quality physicians, reduce operational overhead and expenses, address outdated infrastructure, improve technology and revenue cycles, and make capital improvements. Moreover, finding a new sponsor or partner would avoid closure and the attendant costs associated with patient relocation, medical records retention, potential employee-related claims, and other closing costs.

[3] The Non-Manhattan Hospital Services are: (i) Bishop Mugavero; (ii) Holy Family Home; (iii) St. Elizabeth Ann; (iv) Pax Christi; (v) St. Vincent's Westchester; (vi) Certified Home Health Agency; (vii) Long-Term Home Health Care Program; (viii) US Family Health Plan; and (ix) Staff House.

The Debtors had discussions with more than ten major hospitals or healthcare institutions, including: (i) Mount Sinai Medical Center ("Mount Sinai"); (ii) Ramsay Health Care Limited; (iii) Caritas Christi; (iv) Catholic Health East; (v) Catholic Health Initiatives; (vi) Continuum Health Partners; (vii) Hospital Corporations of America (HCA); (viii) New York Presbyterian; (ix) North Shore-Long Island Jewish Health System; (x) New York University – Langone Medical Center; and (xi) Bayonne Medical Center. The Debtors entered into six confidentiality agreements and provided information and virtual data room access to thousands of pages of documents related to the SVCMC system and the Manhattan Hospital. The Debtors and their representatives, in coordination with the Task Force, spent hundreds of hours in discussions with interested parties and conducted numerous on-site tours.

Ultimately, Mount Sinai emerged as the most interested and qualified party. In the weeks preceding the Petition Date, Mount Sinai conducted extensive due diligence, logging over 60 hours in a virtual data room, conducting over 60 facility visits to the Manhattan Hospital and St. Vincent's Westchester, and attending several meetings with SVCMC's senior leadership and its representatives to discuss various structures for the potential acquisition of the Manhattan Hospital's acute-care businesses and other assets of the Debtors.

While Mount Sinai conducted its due diligence, certain operating and financial obstacles to a transaction emerged. Mount Sinai represented that these obstacles included securing commitments from State and Federal governments concerning going-forward Medicaid rates and payments, obtaining substantial new funding from City, State and Federal sources, and financial and operating challenges relating to Graduate Medical Education programs of the Manhattan Hospital. Without agreement on post-transaction debt levels or commitments from the relevant governmental authorities, Mount Sinai withdrew from discussions of a potential transaction on March 31, 2010.

After Mount Sinai withdrew its interest in the Manhattan Hospital, the Debtors, in coordination with the Task Force, determined that there was no viable sponsor or partner to continue the acute-care operations. Without a new partner or funding source, closure was the only alternative for the Manhattan Hospital. Accordingly, on April 6, 2010, the Board of Directors voted to close the Manhattan Hospital and transfer or close the outpatient programs and clinics affiliated with the Manhattan Hospital. At the same time, the Debtors continued marketing various of their non-Manhattan Hospital Services as going concerns to ensure continuity of quality care for those patients.

The Debtors formally submitted the plan of closure ("Closure Plan") to the New York State Department of Health on April 8, 2010, which addressed the wind down of the Manhattan Hospital operations and the related outpatient clinics. The Closure Plan contemplated ceasing all inpatient operations by April 30, 2010 while ambulatory care programs would continue until May 31, 2010 in order to effectuate transfers to alternate sponsors. Given the complexity of the Manhattan Hospital operations and the inability to simply shut the doors upon the decision to close, the Debtors, their management and advisors began the multi-phase closure process immediately.

V. THE CHAPTER 11 CASES

A. Commencement of Cases

On the Petition Date, SVCMC, Bishop Mugavero, Holy Family Home, St. Elizabeth Ann's, 555 6th Avenue, Pax Christi, Chait, Fort Place, and the Professional Registry commenced these cases under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York before the Honorable Cecelia G. Morris. The Chapter 11 Cases are being jointly administered for procedural purposes only.

Since the Petition Date, the Debtors have continued to efficiently operate and manage their healthcare businesses and assets as debtors in possession. No trustee or examiner has been appointed in these Chapter 11 Cases, nor has any motion for a trustee or examiner been filed.

B. First Day Motions

On the Petition Date, the Debtors filed certain "first day" motions to provide for the orderly continuation of their healthcare businesses and to minimize the disruption caused by the filing of the Chapter 11 Cases. In particular, the Debtors sought authority for: (a) payment of employee wages and benefits including contributions to employee benefit plans; (b) payment to certain medical service providers at the home health agencies to ensure continuity of care; (c) maintenance of cash management systems, existing bank accounts, and business forms; (d) continuance of payment to the Office of the Medicaid Inspector General for prepetition settlements reached with respect to Medicaid overpayments; (e) prevention of discontinuation of utility services and procedures for adequate assurance requests by service providers; (f) joint administration of the Debtors' Chapter 11 Cases for procedural purposes; (g) extension of time to file schedules of assets and liabilities and statements of financial affairs; (h) case management procedures; and (i) formation of creditor list in lieu of mailing matrix and filing of consolidated list of thirty (30) largest unsecured creditors.

C. Formation of the Committee

On April 21, 2010, the United States Trustee for the Southern District of New York appointed the Committee. The Committee consists of the following nine members: (i) Bestcare, Inc.; (ii) Consolidated Edison Company of New York, Inc.; (iii) McKesson Corporation; (iv) the MedMal Trust Monitor; (v) New York State Nurses Association; (vi) Nursing Personnel Homecare; (vii) 1199 SEIU National Benefit Fund for Health and Human Services Employees; (viii) Pension Benefit Guaranty Corporation; and (ix) Siemens Medical Solutions USA, Inc.

D. Appointment of Ombudsmen

On April 16, 2010, the Court ordered the appointment of both a Patient Care Ombudsman and a separate Consumer Privacy Ombudsman pursuant to sections 333 and 332 of the Bankruptcy Code, respectively. On April 16, 2010 and April 21, 2010, the United States Trustee for the Southern District of New York appointed Daniel T. McMurray as the Patient Care Ombudsman and Alan Chapell as the Consumer Privacy Ombudsman, respectively. The

Patient Care Ombudsman has issued twelve reports during the Chapter 11 Cases reporting, *inter alia*, that patient care services were in compliance with applicable standards. Throughout the cases, the Debtors have coordinated with each of the Ombudsmen on matters affecting current and former patients.

E. Employment of the Professionals

1. Debtors' Professionals

(a) Chief Restructuring Officer and Chief Financial Officer and Crisis Managers

The Debtors retained Mark E. Toney and Steven R. Korf of Grant Thornton LLP as Chief Restructuring Officer and Chief Financial Officer, respectively. Grant Thornton was also retained to provide crisis management services.

(b) Counsel to the Debtors

The Debtors retained Kramer Levin Naftalis & Frankel LLP as lead counsel to the Debtors. The Debtors also retained the following additional firms as counsel: (i) Garfunkel Wild, P.C. as special counsel for healthcare, regulatory, corporate, real estate, litigation and finance; (ii) Togut Segal & Segal LLP as conflicts' counsel; and (iii) Putney, Twombly, Hall & Hirson LLP as special labor and employee benefits counsel.

(c) Asset Sale Consultants

The Debtors initially retained three investment banking and advisory firms to assist in the transfer of their operational healthcare businesses to new sponsors: Cain Brothers & Company, Inc., Morgan Keegan & Company, Inc.[4] and Loeb & Troper LLP as investment banker, broker, and healthcare transaction advisors, respectively, to the Debtors in connection with the sale of their healthcare businesses.

The Debtors also retained C.B. Richard Ellis as real estate advisors specifically for the sale of their real estate associated with the Manhattan Hospital located in the Greenwich Village section of Manhattan and Eastern Consolidated Inc. as a broker for the option to purchase the undeveloped real property located in Westchester, New York that was structured as part of the St. Vincent's Westchester transaction.

(d) Additional Professionals

The Debtors also retained certain additional professionals. KPMG, LLC was engaged as Auditors. Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C. was retained as special

[4] At the time of commencement of these Chapter 11 Cases, the Debtors retained Shattuck Hammond Partners, which was a division of Morgan Keegan & Company, Inc. During the Chapter 11 Cases, Shattuck Hammond Partners formally began operating under the name of Morgan Keegan & Company, Inc.

counsel to advise on the Debtors' participation in US Family Health Plan.[5] The Debtors also received authority to retain ordinary course professionals providing a range of legal services including advice on the following: landlord/tenant law; Employment Retirement Income Security Act ("ERISA"), environmental and municipal law, behavioral health law, and various other essential bodies of law relevant to the Debtors' operations.

Because of the large number of creditors in the Chapter 11 Cases, the Debtors retained Epiq Bankruptcy Solutions, LLC as their notice and claims agent ("Claims Agent") including distribution of notices to be sent to parties-in-interest, receipt, maintenance and administration of proofs of claim, and tabulation of acceptances and rejections of the Plan.

2. Committee's Professionals

The Committee retained Akin Gump Strauss Hauer & Feld LLP as its counsel and CBIZ Accounting, Tax & Advisory of New York, LLC and CBIZ, Inc. (collectively referred to as "CBIZ") as financial advisors.

3. Patient Care Ombudsman's Professionals

The Patient Care Ombudsman retained Neubert, Pepe & Monteith, P.C. as his counsel.

F. Significant Relief Sought at Commencement of the Chapter 11 Cases

1. Closure Motion

As explained above, based upon various factors including the inability to attract a new sponsor, on April 6, 2010, the Debtors' Board of Directors voted to approve the closure of the Manhattan Hospital and the transfer or closure of the outpatient programs and clinics operated by the Manhattan Hospital. New York law prohibits the closure of a "medical facility" or the surrender of its operating certificate without the written approval of the Department of Health (the "DOH"). Accordingly, on April 9, 2010, the Debtors submitted a plan of closure (the "Closure Plan") to the DOH. On the Petition Date, the Debtors filed a motion with the Bankruptcy Court seeking authorization to continue their implementation of the Closure Plan under the supervision of the DOH. The Court subsequently entered interim and final orders authorizing the continued implementation of the Closure Plan. By the end of April, two weeks after the Petition Date, all remaining inpatients located at the Manhattan Hospital had been discharged or transferred to other healthcare providers, and the Emergency Room had been closed. On April 21, 2010, the DOH approved the closure of the Hospital's inpatient services contingent upon their continued compliance with the Closure Plan. During the Chapter 11 Cases, the Debtors worked closely with DOH on the implementation of the Closure Plan, which, in accordance with applicable regulatory policies and procedures, received final DOH approval on August 5, 2011.

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[5] Pursuant to request from the United States Trustee, the Debtors converted the retention of the firm into an ordinary course professional.

2. Debtor-in-Possession Financing ("DIP Financing")

As part of the preparation for the commencement of the Chapter 11 Cases, the Debtors negotiated the terms of a postpetition credit agreement (together with all amendments thereto the "DIP Credit Agreement"), with General Electric Capital Corporation, as agent (in such capacity, the "DIP Loan Agent") and General Electric Capital Corporation and TD Bank, N.A., as lenders (the "DIP Lenders" and together with the Prepetition Lenders, the "Senior Secured Lenders"), to provide working capital during the Chapter 11 Cases. The DIP Credit Agreement provided for the Debtors to obtain postpetition financing on a secured and superpriority basis up to a maximum aggregate amount of $85 million (the "DIP Facility"). On April 16, 2010, the Bankruptcy Court approved the DIP Financing on an interim basis.

Upon its formation, the Committee engaged in negotiations with the Debtors and the DIP Lenders on the terms of the proposed financing. These discussions resulted in consensual amendments and modifications to the DIP Financing which improved the terms of the DIP Financing.

On May 17, 2010, the Bankruptcy Court approved the DIP Facility on a final basis and also granted the DIP Lenders an allowed superpriority Administrative Expense, with priority over all other Administrative Expenses, subject only to the Carve-Out (as defined in the DIP Credit Agreement). Subject to certain exceptions, the Debtors' obligations under the DIP Credit Agreement were secured by first priority security interests in and liens on substantially all of the Debtors' unencumbered assets and junior security interests in and liens on certain of the Debtors' assets encumbered by nonavoidable liens. The Bankruptcy Court also granted certain prepetition secured parties, including the Prepetition Agent, DASNY, PBGC and Sun Life Assurance Company of Canada, various types of adequate protection in the form of either (i) administrative expenses pursuant to section 507(b) of the Bankruptcy Code, (ii) adequate protection liens, and/or (iii) adequate protection payments. The DIP Facility provided funding for the orderly administration of the Chapter 11 Cases. The DIP Credit Agreement has been amended five times and is currently scheduled to mature on June 28, 2012.

The obligations of the Debtors under the DIP Facility were reduced from time to time during the Chapter 11 Cases from proceeds of various asset collections and dispositions, including approximately $29 million from the sale of Bishop Mugavero (March 2011) and approximately $38 million from the sale of the Manhattan real estate (September 2011).

3. Patient Care Motions

On the Petition Date, the Debtors requested interim and final authorization to continue to reimburse patients for overpayments and transmit funds received from third parties intended for certain program expenses or physicians (the "Patient Refund Motion"). The Patient Refund Motion also covered reimbursements to patients who received care at the Debtors' facilities and to the providers who provided such care under USFHP. All of the overpayments or third party funds subject to the Patient Refund Motion were incurred or received prepetition. The final order also authorized the Debtors to continue to transmit funds received by third parties that were earmarked for certain programs (such as federal research grants).

The Debtors filed a motion to continue to honor patient refunds, security deposits, and resident trust fund accounts established at their long-term care facilities, Bishop Mugavero, St. Elizabeth Ann's, and Holy Family Home ("Resident Trust Fund Motion"). This motion also enabled the Debtors to continue their practice of refunding any payments made to the Debtors during the pendency of New York State's Medicaid eligibility determination (should the patient ultimately be found to be eligible). The Resident Trust Fund Motion also addressed the Debtors' ability to return to these patients and residents any security deposits or other funds held in resident trust accounts deposited by the State of New York or the resident for living expenses while in the Debtors' care.

G. Significant Events During the Chapter 11 Cases

1. Postpetition Relief Sought on Behalf of Employees

Prior to the Petition Date and enactment of the Closure Plan, the Debtors had approximately 5,900 employees. Approximately 4,200 employees were represented by the following unions: (i) 1199SEIU; (ii) NYSNA; (iii) Committee of Interns and Residents/SEIU ("CIR"); (iv) Teamsters Local 803 ("Local 803"); (v) Local 550, International Brotherhood of Teamsters ("Local 550"); (vi) Service Employees International Union Local 32BJ ("32BJ"); and (vii) Special & Superior Officers Benevolent Association ("SSOBA"). Additionally, approximately 1,000 physicians had affiliations with the Manhattan Hospital.

The closure of the Manhattan Hospital, and certain of its affiliated clinics and other programs, required the Debtors to terminate approximately 2,800 employees. Concerned that such extensive reductions in force would damage employee morale, destabilize the Debtors' operations, and potentially compromise the quality of patient care, the Debtors sought Court authorization to provide several benefits to current and former employees.

(a) Payment of Severance

The Debtors obtained relief from the Bankruptcy Court to pay severance pursuant to the Debtors' Severance Pay and Benefits Continuation Policy (the "Non-Union Severance Policy") and any applicable collective bargaining agreement (the "Union Severance Policy" and together with the Non-Union Severance Policy, the "Severance Policies") to both union and non-union employees associated with the Manhattan Hospital whose last date of employment was subsequent to the Petition Date (the "Severance Employees").

Before the Petition Date, the Debtors modified the Non-Union Severance Policy (applicable to all Debtors) to align it with the Union Severance Policy. As of the Petition Date, under the Severance Policies, Severance Employees were entitled to severance consisting of one week of pay for each completed year of service, for a maximum of four weeks of pay. Under the Non-Union Severance Policy, severance pay ceased when the terminated employee obtained other employment at the same or higher salary. The Debtors were also potentially liable for severance payments to certain non-hospital employees (the "Non-Hospital Employees").

During the course of the Chapter 11 Cases, the Debtors negotiated agreements with various of the purchasers of their ongoing business to assume and pay severance claims for employees (which, in certain instances, were subject to caps on the assumed liability amounts).

These negotiated assumptions of severance liability substantially reduced the claims otherwise payable by the Debtors' Estates. In addition, certain other postpetition severance obligations were paid in the ordinary course. The Debtors estimate that the total amount of severance claims either paid by the Debtors or assumed by the purchasers after the Petition Date exceeds $13.2 million.

(b) Key Employee Incentive Program

The Debtors proposed a key employee incentive program (the "KEIP") under sections 105(a) and 363(b) of the Bankruptcy Code. The Committee requested that the Debtors (a) slightly modify the milestones contained in the KEIP and (b) reserve 10% of the funds for potential future payments to critical non-management employees. As a result of the requests, the Debtors proposed a supplement to the KEIP (the "Supplemental KEIP") to include approximately 54 non-management employees whose primary function is the collection of accounts receivable. The Court approved the KEIP and Supplemental KEIP, which (i) implemented a key employee incentive program providing benefits to certain non-insider employees of the Debtors who were critical to the transfer or sale of the Debtors' assets and the wind down of various of the Debtors' operations; (ii) paid certain sales bonuses to two employees who oversaw the sale of the Debtors' Home Health business – specifically, the Certified Home Health Agency and the Long Term Home Health Care Program; (iii) paid performance incentive bonuses to certain non-management, non-insider employees who worked in the Debtors' central business office; and (iv) included certain non-insider, non-management employees in the KEIP (each of the above-referenced employees, the "Key Employees").

The Key Employees were identified by the Debtors based upon their specific skills, responsibilities, past performance, and value to the ongoing operations. During the Chapter 11 Cases, many of the Key Employees were asked to undertake additional tasks, which in some instances had been previously performed by more than one individual.

The KEIP and Supplemental KEIP provided incentive compensation to the Key Employees based upon the achievement of certain objective profitability and timeline-related operational criteria. The KEIP and the Supplemental KEIP also provided Key Employees remaining during the Debtors' Chapter 11 Cases with incentives to take on additional work, as needed, and to motivate other employees to perform to the best of their abilities.

The total amounts paid by the Debtors under the KEIP and Supplemental KEIP was approximately $1,825,000. However, the Key Employees' efforts resulted in maximizing the recovery from the disposition of assets, including realizing in excess of $60 million in patient revenue collections. The Key Employees also assisted in identifying inventory and residual equipment for sale, which resulted in $9,587,262 of additional proceeds for the estate. These employees were also integrally involved in the process of organizing, consolidating and transferring the Debtors' medical and business records to the third-party vendors and, in doing so, reducing the expenses that might otherwise have been paid by the Debtors' Estates to consolidate and store such records. As such, the Debtors believe that the benefits actually achieved by the Key Employees outweighed the costs of the KEIP and Supplemental KEIP program.

(c) Independent Contractors at the Nursing Homes

The Debtors sought authorization to pay prepetition obligations to approximately 46 of the Debtors' independent contractors who provided certain patient care services at Bishop Mugavero, Holy Family Home, St. Elizabeth Ann's and St. Vincent's Westchester (collectively, the "Non-Hospital Businesses"). Among other things, the independent contractors provided occupational and physical therapy, dental care, psychiatric and pastoral care, and other services required under New York State nursing home regulations. Although the Independent Contractors were not home health service providers or salaried employees, they were the day-to-day "face" of the particular facilities whose services were essential to ensure the ongoing functioning of the Non-Hospital Businesses and to sell them as going concerns.

2. Postpetition Asset Sales and Transfer of Ongoing Patient Care to New Sponsors

At the inception of the Chapter 11 Cases, the Debtors' key focus was the transfer of their patient services to third parties to ensure continuity of care as well as a means to maximize value for their creditors. The Debtors believed that consensus would provide the most efficient mechanism to achieve these goals. In connection with the sales described below, the Debtors actively coordinated with the Committee and the Senior Secured Lenders, with both parties: (a) reviewing and commenting on the Debtors' proposed bidding and sales procedures and asset purchase agreements; (b) participating in the evaluation of the bids; (c) reviewing presentations provided by the Debtors and their advisors regarding such bids; (d) attending and actively participating in the auctions (if applicable); and (e) reviewing and negotiating proposed sale orders. The early work of the Debtors and the Committee created the model documents that were used for subsequent transactions which resulted in further efficiencies in these sale processes.

(a) Businesses Affiliated with the Manhattan Hospital

(i) *Pax Christi Hospice*

One of the Debtors, Pax Christi, provided compassionate end-of-life hospice care, including a home care service that served each of the five boroughs of New York City, as well as a 31-bed inpatient unit at the Manhattan Hospital. Pax Christi's patients suffered from advanced illnesses with limited life expectancy and chose to forego aggressive treatment in order to focus on palliative care.

On March 5, 2010, prior to the Petition Date, the Debtors entered into a letter of intent (the "LOI") with the Visiting Nurse Service of New York Hospice Care ("VNS") to transfer Pax Christi's hospice services to VNS following the negotiations over definitive documentation in accordance with the LOI and the approval of the Bankruptcy Court of the transfer. Upon the commencement of these Chapter 11 Cases and the announcement of the imminent closure of the Manhattan Hospital, however, it became necessary to seek the transfer of the hospice services on an expedited basis.

The Debtors, with the assistance of the Committee, created the form of asset purchase agreement for health care sales, which was first used in connection with the sale of Pax

Christi. On May 4, 2010, Pax Christi and VNS entered in an asset purchase agreement (the "Pax APA") which provided for a cash purchase price of $9 million in exchange for a transfer of the hospice services free and clear of any liens or encumbrances pursuant to section 363 of the Bankruptcy Code. The Pax APA was contingent on approval by the Bankruptcy Court. On May 5, 2010, the Debtors filed an emergency motion with the Bankruptcy Court seeking, among other related relief, (i) approval of the Pax APA without the need to conduct a public auction for the hospice services, (ii) payment of a transaction fee of $180,000 to Cain Brothers in connection with the transfer, and (iii) to retain and pay a $10,000 appraisal fee to VMG Health, LLC in connection with providing an appraisal of the hospice care service in order to comply with applicable not-for-profit law governing the transfer.

In response to the Debtors' emergency motion, the New York State Nurses Association ("NYSNA") filed an objection to the transfer seeking to compel the assumption of NYSNA's collective bargaining agreement prior to the transfer of the hospice services. On May 18, 2010, the Court entered an order overruling NYSNA's objection and approving the relief sought by the Debtors, and the transfer was consummated on June 21, 2010. The net cash proceeds of this transaction, in the amount of approximately $11 million, were paid to the Prepetition Lenders in partial satisfaction of the Prepetition Facility.

(ii) *Comprehensive Cancer Center*

The Debtors operated an outpatient comprehensive cancer center affiliated with the Manhattan Hospital where cancer diagnosis, treatment, and recovery services were performed. The center was operated pursuant to an agreement between SVCMC and Aptium. In the Spring of 2010, the Debtors had discussions with potential new sponsors for the cancer center's ongoing operations. These negotiations resulted in a three-party agreement allowing Beth Israel Medical Center to assume operations and sponsorship of the cancer center and enter into a new agreement with Aptium. In exchange, Beth Israel Medical Center paid the Debtors $5 million. As part of the transaction, Aptium agreed to the consensual termination of its agreements with SVCMC, which eliminated any rejection damage claims by Aptium. The Debtors filed an expedited motion to terminate the agreements between SVCMC and Aptium, resolve certain pre- and postpetition claims between Aptium and the Debtors, and to authorize the entry into new agreements between Aptium and Beth Israel Medical Center. To ensure continuity of care and treatment, and in connection with the Department of Health's agreement to expedite the required Certificate of Need to transfer services, the Debtors sought, and obtained, such emergency approval. The Court approved the transaction on May 27, 2010 and the net proceeds of approximately $4.75 million from this transaction were used to partially satisfy the Prepetition Facility.

(iii) *Certified Home Health Agency*

On June 28, 2010, the Debtors entered into a stalking horse agreement with North Shore University Hospital ("North Shore") for the purchase of SVCMC's Certified Home Health Agency (the "CHHA"). The CHHA provided traditional home care services for those with heart conditions, diabetes, asthma and orthopedic problems in addition to maternal and early intervention programs for children in the five boroughs of New York City and Nassau and Suffolk counties. The stalking horse agreement provided for a purchase price of $15 million and

was subject to the Debtors' solicitation of higher or otherwise better bids and, upon the receipt of such bids, an auction. The stalking horse agreement also provided that in the event an auction was conducted at which North Shore was not the prevailing bidder, North Shore would receive a break-up fee in the amount of $300,000. On July 23, 2010, the Bankruptcy Court entered an order approving the stalking horse agreement and related bidding procedures. Pursuant to the bidding procedures, the Debtors received an additional qualified bid from Village Care of New York, and an auction was conducted on August 10, 2010. As a result of the auction, North Shore improved its original bid to provide for a purchase price of $17 million, the assumption of liabilities owed to the CHHA's employees consisting of $508,566 in paid-time off ("PTO") and $716,381 in severance obligations, and an obligation to extend offers of employment to all of the CHHA's employees that meet North Shore's objective hiring criteria.

On August 20, 2010, the Bankruptcy Court approved the sale of the CHHA to North Shore on the terms of its improved bid, and the sale was consummated on September 20, 2010. In connection with the sale, Cain Brothers & Company, Inc. and Morgan Keegan & Company, Inc. each earned a transaction fee of $350,000. The net cash proceeds of this transaction, in the amount of approximately $14.79 million, were paid to the Prepetition Lenders in partial satisfaction of the Prepetition Facility.

(iv) *Long-Term Home Health Care Agency*

On July 8, 2010, the Debtors entered into a stalking horse agreement with Metropolitan Jewish Home Care, Inc. ("Metro Jewish") for the sale of SVCMC's Long Term Home Health Care Program Certified Home Health Agency (the "LTHHCP"). The LTHHCP provided nursing home-eligible Medicaid patients with clinical services safely at their homes as an alternative to institutionalization. The stalking horse agreement provided for a purchase price of $17.1 million and was subject to the Debtors' solicitation of higher or otherwise better bids and, upon the receipt of such bids, an auction. The stalking horse agreement also provided that in the event an auction was conducted at which Metro Jewish was not the prevailing bidder, Metro Jewish would receive a break-up fee in the amount of $342,000. On July 23, 2010, the Bankruptcy Court entered an order approving the stalking horse agreement and related bidding procedures. Pursuant to the bidding procedures, the Debtors received two additional qualified bids from VNS and Americare, Inc., and an auction was conducted on August 10, 2010. As a result of the auction, the Debtors selected a bid from VNS as the prevailing bid. VNS's bid improved on Metro Jewish's bid by providing for a purchase price of $30.15 million, the assumption of liabilities owed to the LTHHCP's employees consisting of $170,000 in PTO and $230,000 in severance obligations, and an obligation to extend offers of employment to all of the LTHHCP's employees that met VNS' objective hiring criteria.

On August 20, 2010, the Bankruptcy Court approved the sale of the LTHHCP to VNS, and the sale was consummated on November 15, 2010. Because it was not selected as the prevailing bidder at the auction, Metro Jewish received the break-up fee provided for in its stalking horse agreement. In connection with the sale, Cain Brothers and Shattuck earned transaction fees of $350,000 each. The net cash proceeds of this transaction, in the amount of approximately $29.21 million, were paid to the Prepetition Lenders in partial satisfaction of the Prepetition Facility.

(b) St. Vincent's Westchester, including Fort Place and Chait

St. Vincent's Westchester was one of the largest inpatient and outpatient behavioral health service providers in the New York City area. Its operations included a 24-hour emergency evaluation and referral center, a total of 138 licensed beds dedicated to psychiatric care and alcohol rehabilitation and approximately 600 residential beds throughout Westchester, Brooklyn, the Bronx, Staten Island and Queens for individuals with histories of psychiatric illness/chemical dependency. In the year preceding its sale, St. Vincent's Westchester had close to 2,800 inpatient discharges and saw approximately 620,000 patients in its outpatient visits. Its operations were housed in a main hospital facility in Westchester (the "Westchester Facility") and in numerous clinics and residential facilities located throughout the New York City area.

Two other Debtors operated residential facilities used in St. Vincent's Westchester's behavioral health business. Chait was a "Housing Development Corporation" (an "HDC") that was formed to acquire two 15-bed community residences located in Staten Island, New York. Fort Place was an HDC that was formed to acquire a 59-unit residence located in Staten Island, New York (the "Fort Place Real Estate"). St. Vincent's Westchester operated these facilities under a contract with the New York State Office of Mental Health (the "OMH"). Chait and Fort Place provided certain administrative services (*e.g.*, payment of salaries) related to the management of the facilities, but did no other business.

After the filing of these cases, the New York State regulatory agencies determined that, if St. Vincent's Westchester were to close in whole or in part, other healthcare providers would not be able to absorb the St. Vincent's patient population. Accordingly, the New York State regulators expressed concern that the Debtors locate a purchaser or new sponsor to continue all of the healthcare services provided by St. Vincent's Westchester, including Fort Place and Chait. Potential purchasers for St. Vincent's Westchester needed to comply with Article 28 of the New York Public Health Law, and to preserve certain advantageous Medicaid rates necessary for ongoing operations, the sale had to close before late 2010. Beginning before the Petition Date, the Debtors and their professionals conducted an extensive marketing effort, ultimately identifying St. Joseph's Medical Center in Yonkers, New York as the only viable potential new sponsor and purchaser. The Debtors ultimately sought approval of a transaction with St. Joseph's at a cash purchase price of $18 million, the assumption of certain liabilities and a $6 million unsecured note payable beginning on December 1, 2010. To assure continuity of care for this complex patient population, the terms of the transaction also provided that employees of St. Vincent's Westchester would be transitioned to St. Joseph's.

The Westchester Facility sat on a single, undivided lot of approximately 67 acres located in Harrison, New York (the "Westchester Land"). The Westchester Facility used only approximately 29 acres contiguous on the site to operate (the "Developed Land"). The remaining 37 acres (the "Undeveloped Land") were not used and, if rezoned, were potentially available for development.

At the time of the sale, St. Vincent's Westchester was subject to certain secured claims. The Prepetition Agent and the DIP Loan Agent held first and second priority security interests on certain personal property and business assets of St. Vincent's Westchester including mortgages on certain satellite facilities related thereto. Sun Life, the MedMal Trusts, the Prepetition Agent and the DIP Agent held first, second, third and fourth priority mortgage liens,

respectively, on the Westchester Land and the improvements thereon (the "Westchester Real Property") and certain personalty related thereto.

Because the Westchester Land was an undivided single lot, the Debtors could not sell the Undeveloped Land separately from the remaining assets of St. Vincent's Westchester. To help unlock the value of the Undeveloped Land for the benefit of the holders of liens on the Westchester Real Property, as part of the transaction with St. Joseph's, the Debtors negotiated a process to market and sell an option ("Real Estate Option") to purchase the Undeveloped Land from St. Joseph's for an exercise price of approximately $5 million. The terms of the Real Estate Option permitted (i) the Debtors to market the option to interested parties for up to one year, and (ii) any party purchasing the option an additional three years to obtain the zoning and regulatory approvals to subdivide the Westchester Land, before actually exercising the option. The Debtors' estates would retain the purchase price of the option. Sun Life and the MedMal Trusts initially objected to the proposed transaction and the Real Estate Option, but their objections were withdrawn prior to the hearing on the sale motion in light of certain changes to the structure of the transaction. These creditors reserved their rights to dispute the allocation of the sale proceeds between the real estate and the business. Subject to this reservation of rights, the Court approved the transaction with St. Joseph's, and the transaction closed on November 1, 2010. The estates held approximately $18 million in cash proceeds (less the payment of approximately $740,000 in court-approved investment bankers' fees and expenses) and the unsecured note (as well as certain rentals derived from the property prior to the sale) in escrow.

The Estates, Sun Life and the MedMal Trusts disputed the proper allocation of sale proceeds between the business and the Westchester Real Property (the "SVW Allocation Dispute"). After the consummation of the sale of the Manhattan Real Estate (described below), the Prepetition Facility was paid in full. As a result, the Debtors' Estates were no longer subject to a secured claim against the St. Vincent's Westchester business, which encompasses the inpatient hospital, the outpatient clinics, the Fort Place and Chait housing development corporations and the supportive housing facilities. Sun Life and the MedMal Trusts Monitor continued to retain their liens on the proceeds allocable to the Westchester Real Property and other specified collateral.

In March 2012, the Debtors, the Committee, Sun Life and MedMal Trusts Monitor agreed to submit the SVW Allocation Dispute to mediation. The mediation session was successfully held on April 24, 2012 resulting in the resolution of the SVW Allocation Dispute. The parties agreed that Sun Life would be entitled to receive a cash payment of $11.375 million ("Sun Life Settlement Payment") in full and final satisfaction of any claims, including its Secured Claim. The Debtors will be receiving approximately $6.6 million in cash and the Westchester Promissory Note valued at $4 million. This resolution avoids the necessity of adjudication by the Bankruptcy Court. Pursuant to the settlement agreement by and between the Debtors, Sun Life, the MedMal Trust Monitor and the Committee (the "Sun Life Settlement Agreement"), Sun Life and the Debtors have agreed to mutual releases with the exception of any rights that Sun Life or its assigns may have related to the (i) promissory note, and the (ii) mortgage, security interest and assignment of leases associated with Staff House. In addition, upon the payment of the Sun Life Settlement Payment, the MedMal Trust Monitor's liens are released and there are no other allowed claims against the proceeds from the sale of the Westchester Real Property. As more fully described below and in accordance with the MedMal

Trusts Settlement Agreement, the MedMal Trust Monitor will receive a payment on the Effective Date of eighteen percent of the value that the Debtors receive from the Sun Life Settlement Agreement. The Debtors filed a motion to approve the Sun Life Settlement Agreement on May 3, 2012 which was approved by the Bankruptcy Court on May 17, 2012.

(c) Nursing Homes

(i) *Bishop Mugavero and Holy Family Home*

On August 5, 2010, the Debtors entered into stalking horse agreements with (i) SV Operating I, LLC and SV Land I, LLC for the sale of substantially all of the assets of Bishop Mugavero and (ii) SV Operating II, LLC and SV Land II, LLC (collectively with SV Operating I, LLC and SV Land I, LLC the "Nursing Home Stalking Horse") for the sale of substantially all of the assets of Holy Family Home. The Nursing Home Stalking Horse consisted of newly-formed entities controlled by Daryl Hagler and Kenneth Rozenberg and their bid provided for a purchase price of $30,115,000 with respect to the purchase of Bishop Mugavero and $16,875,000 with respect to the purchase of Holy Family Home, and was subject to the Debtors' solicitation of higher or otherwise better bids and, upon the receipt of such bids, an auction. The stalking horse agreements also provided that in the event an auction was conducted at which the Nursing Home Stalking Horse was not the prevailing bidder, it would receive a break-up fee in the amount of $602,300 with respect to Holy Family Home.

On August 20, 2010, the Bankruptcy Court entered an order approving the stalking horse agreements and related bidding procedures. Pursuant to the bidding procedures, the Debtors received two additional qualified bids with respect to Bishop Mugavero and one additional qualified bid with respect to Holy Family Home, and an auction was conducted on September 21, 2010. As a result of the auction, the Debtors selected a bid from newly formed entities controlled by Abraham Klein, Bernard Fuchs, and Charles-Edouard Gros (the purchaser entities, collectively "KFG") as the prevailing bidder for the sale of Bishop Mugavero and Holy Family Home. While the bids submitted by KFG did not represent significant increases in the purchase price offered by the Nursing Home Stalking Horse ($30,767,000 and $17,262,500, respectively, for Bishop Mugavero and Holy Family Home),[6] KFG agreed to assume significant additional liabilities over the bid offered by the Nursing Home Stalking Horse. Specifically, KFG agreed to assume (i) all PTO and severance liabilities owed by Bishop Mugavero and Holy Family Home to their employees, (ii) liabilities related to a pending retroactive Medicaid rate adjustment in the amounts of $2,910,000 with respect to Bishop Mugavero and $1,900,000 with respect to Holy Family Home, and (iii) liabilities for the New York Health Facility Cash Assessments in the amounts of $69,910 with respect to Bishop Mugavero and $42,894 with respect to Holy Family Home. KFG also committed to offering employment to those employees of Bishop Mugavero and Holy Family Home meeting its objective hiring criteria.

On October 12, 2010, the Bankruptcy Court approved the sale of Bishop Mugavero and Holy Family Home to KFG. Because it was not selected as the prevailing bidder

[6] The cash purchase price was the increased minimum overbid amount required by the bidding procedures.

at the auction, the Nursing Home Stalking Horse was paid the break-up fees provided for in its stalking horse agreements.

The Bishop Mugavero transaction was consummated on March 24, 2011. Proceeds from the sale were used to satisfy approximately $19 million in outstanding bond debt owed to DASNY. Remaining proceeds were thereafter applied to the DIP Facility. In connection with the closing of the transaction, Loeb & Troper and Cain Brothers received transaction fees of $300,000 and $350,000, respectively.

After the closing of the Bishop Mugavero sale, KFG did not promptly honor its commitments in connection with the sales. First, with respect to the Bishop Mugavero sale, KFG refused to timely compensate the Debtors in connection with the PTO and severance obligations owed by the Debtors to those employees not hired by KFG. Second, under the sale documents certain of Bishop Mugavero's pre-closing accounts receivable remained property of the Debtors' estates. Although it received funds related to those receivables, however, it refused to turn the funds over to the Debtors. Third, as a result of Holy Family Home's failure to qualify for a DOH program aimed towards reducing certain liabilities of financially distressed nursing homes, KFG refused to proceed with a closing on the Holy Family sale. The approximate benefit to KFG, had Holy Family Home qualified for the mitigation program, was $650,000. KFG alleged that Holy Family Home's failure to timely certify its 2009 cost report resulted in the Holy Family Home's disqualification for the mitigation program and was a material breach under the Holy Family Home sale agreement. The Debtors disputed KFG's contentions.

In order to spare the estates the expense and uncertainty of litigating these issues before the Bankruptcy Court, the Debtors engaged in extensive negotiations for a consensual resolution of their disputes with KFG. In January 2012, the Debtors reached a global resolution with KFG, and, as a result, were able to collect on the outstanding PTO and severance liabilities for Bishop Mugavero's employees, as well as Bishop Mugavero's pre-closing accounts receivable. Further, the Debtors and KFG agreed on a $350,000 purchase price adjustment in favor of KFG in connection with the consummation of the Holy Family Home transaction.

The Holy Family Home transaction was consummated on January 20, 2012, and proceeds are being held in a segregated account in accordance with the DIP Facility. In connection with the closing of the transaction, Loeb & Troper and Cain Brothers received transaction fees of $300,000 and $350,000, respectively.

Since the consummation of the Holy Family Home transaction, however, the Debtors have continued to have disputes with KFG. Pursuant to the Bishop Mugavero and Holy Family Home sale agreements, certain prepetition rate appeals by Bishop Mugavero and Holy Family Home pending before the DOH were specifically excluded assets and the proceeds of such appeals, if any, were to be paid over to the Debtors. The Debtors and the DOH are currently negotiating for the settlement of certain of these appeals. As the current operator of Bishop Mugavero and Holy Family Home, however, KFG would be party to these settlements and the actual recipient of any proceeds of the appeals or the beneficiary of any offset of amounts owed to the Debtors against healthcare program liabilities assumed by, or otherwise incurred by, KFG. In the event that KFG either refuses to surrender any future settlement proceeds that it receives, or reimburses the Estates for the value of settlement claims offset by

DOH, the Debtors will seek the intervention of the Bankruptcy Court to resolve these issues. The Debtors' ability to collect on the settlement proceeds, or obtain reimbursement of the value thereof retained or obtained by KFG, may impact the amount of cash available to satisfy the claims of unsecured creditors. The Debtors (or their successor under the Plan) reserve the right to bring any actions necessary against KFG to enforce the terms of the sale agreements, whether such actions are initiated prior to or after the Effective Date.

(ii) *St. Elizabeth Ann's*

On May 12, 2011, the Debtors entered into a stalking horse agreement with SV Operating III, LLC and SV Land III, LLC (collectively, the "SEA Purchasers") for the sale of substantially all of the assets of St. Elizabeth Ann's and the entry into a ground lease (the "Bayley Seton Ground Lease") for the Debtors' Bayley Seton campus (the "Bayley Seton Campus") which housed 72 neuro-psychological beds. The Debtors and the Committee worked closely to structure the transaction to maximize the value of each asset marketed for the benefit of the Debtors' estates and their creditors, as well as to avoid the incurrence of additional carrying costs associated with those assets. The SEA sale agreement provided for a purchase price of $34 million for the St. Elizabeth Ann's assets and business lines including the 72 neuro-psychological beds and under the terms of the Bayley Seton Ground Lease, the SEA Purchasers assumed all of the economic obligations related to the Bayley Seton Campus, including operational expenses and environmental liabilities. Further, in the event that the Debtors determined that the Bayley Seton Campus was no longer necessary for the operation of the USFHP program, the Debtors may put the Bayley Seton Campus to the SEA Purchasers for $1.00. The SEA Purchasers' bid was subject to the Debtors' solicitation of higher or otherwise better bids and, upon the receipt of such bids, an auction.

The Debtors and the Committee negotiated proposed bidding procedures that ensured a timeline sufficient for marketing and due diligence on these assets. On June 30, 2011, the Bankruptcy Court entered an order approving the stalking horse agreements and related bidding procedures. However, despite discussions with several potential bidders, the Debtors did not receive any additional qualified bids, and on August 10, 2011, the Court entered an order approving the sale of SEA to the SEA Purchaser and entry into the Bayley Seton Ground Lease. The SEA sale was consummated on April 2, 2012, effective as of March 31, 2012.

(d) Sale of Manhattan Campus

After the closure of the Manhattan Hospital and no healthcare provider's emergence to continue operation of the hospital on the Manhattan Campus, the Debtors, in close consultation with the Committee and the Senior Secured Lenders, sought to identify a purchaser or purchasers for this substantial real estate asset. The Manhattan Campus consisted of: (i) 1 Seventh Avenue, 133 West 11th Street, 143 West 11th Street, 148 West 12th Street, 158 West 12th Street, and 170 West 12th Street (collectively referred to as the "East Campus"); (ii) 76 Greenwich Avenue (the "Triangle Site"); and (iii) 20 Seventh Avenue (the "O'Toole Building") and related land, buildings, improvements and personal property (collectively, the "Manhattan Campus"). Recognizing that the Manhattan Campus was a pivotal asset in these Chapter 11 Cases insofar as recovery for creditors was concerned, the Debtors had two overriding objectives: (i) maximizing value for the Manhattan Campus and (ii) seeking to address the

ongoing health care needs of the community they once served through use of a portion of the campus for future healthcare services for the community. The Debtors also sought a transaction that would close on a date certain without the need for regulatory or land use approvals, thereby providing for greater certainty of realizable value.

In the summer of 2010, the Debtors, in consultation with the Senior Secured Lenders and the Committee, determined that a highly regarded and experienced real estate advisor would be integral to developing a potential transaction and assisting the Debtors. In that respect, the Debtors, the Senior Secured Creditors and the Committee interviewed numerous potential brokers and ultimately selected CBRE because of its extensive expertise leading complex real estate transactions in the New York City market. Darcy Stacom, Vice-Chairman of CBRE and a leading commercial real estate broker, led the assignment for CBRE. Upon its retention, CBRE immediately began analyzing the current market for a large new development site in Greenwich Village, and in coordination with the Senior Secured Creditors and the Committee, assisted the Debtors in developing a structure and terms for the sale of the Property.

During this process, two potential purchasers emerged, resulting in approximately six weeks of negotiations. The Debtors, the Senior Secured Creditors and the Committee worked closely to negotiate and document a transaction for the Manhattan Campus that would yield the highest recovery to the Debtors' Estates. Among other things, the parties negotiated proposed transaction documents from multiple potential purchasers and, with the Debtors' advisors, negotiated with such purchasers at length. These collective efforts resulted in a substantially increased purchase price for the sale of the Manhattan Campus. Ultimately, RSV, LLC, an affiliate of the Rudin Organization ("Rudin"), submitted the highest and best offer which satisfied both of the Debtors' stated objectives, including the following terms set forth in an amended contract dated March 9, 2011 (the "Amended Contract"): (i) a cash purchase price of $260 million, payable in full on the closing date; (ii) the East Campus and the Triangle Site would be conveyed to Rudin for the development of, among other things, residential homes; (iii) the O'Toole Building would be conveyed to North Shore-Long Island Jewish Health Care System ("North Shore-LIJ") for the development of a state-of-the-art comprehensive care center which would provide the first free-standing emergency department in New York City, in addition to observational beds, ambulatory services, and diagnostic services through the North Shore-LIJ system; (iv) a nonrefundable deposit of $22 million upon execution of the contract; (v) an outside date of September 30, 2011 for closing; and (vi) a transaction not conditioned upon zoning or regulatory approvals for any transfers – thereby providing certainty of payment of the cash purchase price. North Shore-LIJ also committed to the investment of $100 million, with an additional $10 million provided by Rudin, for the establishment, construction and development of the comprehensive care center. The Triangle Site recently received approval to be developed into a park that will honor those affected by the HIV/AIDS epidemic and St. Vincent's for its 160 year legacy and in particular its healthcare services to those that suffered from HIV/AIDS.

As part of SVCMC's prior chapter 11 cases, on December 31, 2007, SVCMC entered into a contract (the "Original Contract") whereby SVCMC agreed to sell the East Campus to Rudin for the development of a mixed-use, predominantly residential facility. The underlying purpose of the transaction was to monetize the value of the prominent East Campus real estate, pay off significant portions of SVCMC's historical debt and to build a new modern acute-care hospital on the site of the O'Toole Building. To protect Rudin, the Original Contract

provided them with a "right of first offer" which the Purchaser could exercise for fifteen years in the event SVCMC failed to proceed with the original transaction. Additionally, the June 5, 2007 Bankruptcy Court Order approving the transaction as well as the Original Contract contain provisions prohibiting the future rejection of the Original Contract in the event of a subsequent bankruptcy of SVCMC. The Amended Contract prevented the risk and delay of potential litigation stemming from the need to reject the Original Contract. While the outcome could have been disputed by the parties, risk, delay and attendant expense of litigation was certain. Additionally, all potential rejection damage claims were waived, thereby increasing the funds potentially available to other unsecured creditors. The Amended Contract removed the uncertainty of litigation.

Therefore, the Debtors entered into the Amended Contract and sought approval of the transaction on March 9, 2011. The Committee filed a statement in support of the sale on March 25, 2011. After a lengthy hearing, the Court found that the transaction was an exercise of the Debtors' sound business judgment and approved the transaction on April 11, 2011. The transaction closed on September 30, 2011 and the net proceeds were used to satisfy the outstanding balance on the Prepetition Facility in full and satisfy certain other secured creditors such as the PBGC and DASNY. In addition, CBRE earned a transaction fee of approximately $2 million for its efforts in marketing and assisting with the sale of the Manhattan Real Estate. Thereafter, the remaining proceeds materially paid down the DIP Credit Facility.

(e) Sale of the Debtors' Other Real Estate

(i) *Staff House*

The Debtors housed participants of the Manhattan Hospital's graduate medical resident program in an apartment building located at 555 6th Avenue in Manhattan (the "Staff House"). The Staff House was encumbered by the liens of Sun Life, the MedMal Trusts, and the Prepetition Agent, in that order of priority. Prior to the Petition Date, the Debtors' management began marketing and soliciting offers for the sale of the property for a sale outside of bankruptcy. However, as the process progressed, it was determined that a sale in chapter 11 would maximize value for the creditors. The Debtors determined that the marketing process had progressed far enough that a stalking horse agreement should be sought. Since the Debtors believed that any transaction would yield sufficient proceeds to satisfy Sun Life in full but were not expected to yield any recovery for the Prepetition Agent, the Debtors determined to coordinate most closely with the MedMal Trusts as they were the creditors most directly impacted by the sale process and the beneficiary of the net sale proceeds. Counsel to the MedMal Trusts Monitor became active in the process and together these discussions resulted in the Debtors' decision to sell the Staff House with the assistance of Grubb & Ellis New York, Inc. ("Grubb & Ellis"), an experienced New York commercial real estate broker.

On April 21, 2010, the Debtors entered into a stalking horse agreement for the sale of the Staff House with TIP Acquisitions LLC ("TIP"), an affiliate of Taconic Partners, that provided for a $48 million purchase price. The stalking horse agreement was subject to the Debtors' solicitation of higher or otherwise better bids and, upon the receipt of such bids, an auction. The stalking horse agreement also provided that in the event an auction was conducted at which TIP was not the prevailing bidder, TIP would receive a break-up fee in the amount of

$870,000. On May 18, 2010, the Bankruptcy Court entered an order approving the bidding procedures in connection with the sale of the Staff House.

Pursuant to the bidding procedures, the Debtors received 22 additional qualified bids. After an initial round of discussions with the bidders, the Debtors invited 16 bidders to submit further bids with a minimum purchase price of $60 million. Five of the bidders submitted improved bids and were invited to attend an auction. As a result of the auction, the Debtor selected a bid submitted by SP 555 Sixth LLC ("Stonehenge"), an affiliate of Stonehenge Partners, Inc., that provided for a purchase price of $67,340,000.

On July 2, 2010, the Bankruptcy Court approved the sale of the Staff House to Stonehenge and the sale was consummated on July 22, 2010. Because it was not selected as the prevailing bidder at the auction, TIP received the break-up fee provided for in its stalking horse agreement. In connection with the sale, Grubb & Ellis earned a transaction fee of $550,000.

On June 7, 2010, the MedMal Trust Monitor and the Committee commenced an adversary proceeding (the "Staff House Adversary Proceeding") against VIII SV556 Lender, LLC ("SV556"), the purchaser of the Sun Life Note and a secured creditor holding a first mortgage on the Staff House property who had filed a proof of claim against the Staff House Debtor in the amount of $46 million. SV556's proof of claim represented the amount owed to them as of the Petition Date, plus an "acceleration indemnification" described in a mortgage, attorney fees and costs, and default interest. In filing the adversary proceeding, the MedMal Trust Monitor sought to limit SV556's secured claim to the amount owed as of the Petition Date, which was about $39.6 million. The MedMal Trust Monitor argued that the mortgage loan documents required that the maximum principal secured indebtedness be capped at $42.5 million and further argued that the additional charges sought by SV556 were the product of illegal *ipso facto* clauses pursuant to section 365(e)(1) of the Bankruptcy Code. In response, SV556 argued that the mortgage loan documents did not constitute executory contracts and therefore, upon the Debtors' bankruptcy filing, which constituted an "Event of Default" under the mortgage loan documents, SV556 was entitled to charge the additional fees. In addition, SV556 argued that the $42.5 million cap was for the principal balance only and did not limit the interest, penalties and fees that might accrue pursuant to the terms of the mortgage loan documents.

In its memorandum decision deciding cross-motions for summary judgment on the issues, the Bankruptcy Court held that SV556 was entitled to a secured claim in the amount of $42.5 million, representing the $39.6 million owed as of the Petition Date, including the acceleration indemnification claim, attorneys' fees and interest up to the date of the Staff House sale. The Court authorized SV556 to file a proof of claim for a general unsecured debt representing the deficiency. Subsequent to the Court's ruling, SV556 filed a proof of claim asserting an unsecured deficiency claim in the amount of approximately $5.6 million.

The sale of the Staff House Assets to the Staff House Purchaser allowed for a material pay down of the Debtors' secured debt with $42.5 million being distributed to SV556 on account of the senior mortgage and approximately $22 million to the MedMal Trusts.

(ii) *Westchester Real Estate Option*

As discussed above, see Section (V)(G)(2)(b), as part of the sale of St. Vincent's Westchester to St. Joseph's Medical Center, the Debtors negotiated the Real Estate Option which allowed the estates to market an option to purchase the Undeveloped Land from St. Joseph's for a price of $5 million (plus operating costs) for a period of up to one year. Thereafter, a purchaser of the option would have until November 1, 2014 to obtain all required subdivision, zoning and land use approvals to separate the Undeveloped Land from the Developed Land and then to exercise the option to acquire the Undeveloped Land from St. Joseph's.

Under the Real Estate Option, any purchaser would be required to pay $5 million plus operating costs which included the costs associated with the maintenance and ownership of the Undeveloped Land comprised of, among other things, taxes, assessments, general liability insurance coverage and landscaping and reimbursement of certain capital costs.

To maximize the value of the Real Estate Option, the Debtors, with the input of Sun Life, the MedMal Trusts, the Committee, and the Senior Secured Lenders, selected Eastern Consolidated, Inc. to market the Real Estate Option. After its retention, Eastern Consolidated conducted an extensive marketing process, contacting 4,732 potential purchasers, 52 of whom signed confidentiality agreements, receiving 11 indications of interest, and assisting five to ten parties in conducting diligence. Only one party emerged with an interest in pursuing the Real Estate Option. However, this party ultimately determined not to proceed.

The Debtors separately offered to sell the Real Estate Option to Sun Life and the MedMal Trusts. Both declined. In the absence of interested parties, the Real Estate Option expired on October 31, 2011. St. Joseph's now owns the Undeveloped Land free and clear of the Real Estate Option.

(f) Sale or Transfer of Miscellaneous Assets

(i) *Program Funding Transfers*

Prior to the Petition Date, the Debtors and/or certain of their physicians entered into contractual relationships with pharmaceutical companies and/or certain federal and state agencies to provide the Debtors with designated funding (i) for physicians employed by the Debtors to conduct clinical studies (*e.g.*, "drug trials" for testing or evaluating certain drugs) using patients treated by the Debtors (the "Clinical Studies") and/or (ii) to subsidize or reimburse the Debtors for operating certain outpatient clinical programs or outpatient programs ("Clinical Programs," with the funding for the Clinical Studies and Clinical Programs being referred to herein as the "Program Funding"). Due to the closure of the Manhattan Hospital and transfer or closure of the related clinics, the Clinical Studies or Clinical Programs could not continue. Therefore, the Debtors would not receive additional Program Funding nor were they entitled to any. However, permanent cessation of these Clinical Studies or Clinical Programs would be detrimental to the patients participating in them. Thus, the Debtors sought authority to transfer the Clinical Studies or Clinical Programs to substitute institutions and also sought to establish procedures in order to do so in the future. To date, the Debtors filed and served five notices

regarding the transfer of Clinical Studies and Clinical Programs. To the extent necessary, the Debtors will continue to utilize these procedures after Confirmation of the Plan.

(ii) *De Minimis Asset Sales*

On June 11, 2010, the Bankruptcy Court approved procedures for the sale of certain *de minimis* assets (the "De Minimis Asset Sale Procedures Order"). The De Minimis Asset Sale Procedures Order authorizes the Debtors to sell certain assets (the "Clinic Assets") related to the Debtors' 19 different medical clinics and/or physician practices (the "Medical Clinics"), as well as other *de minimis* assets (the "De Minimis Assets"), outside the ordinary course of business, free and clear of liens, claims and encumbrances and without further court approval. Specifically, the De Minimis Asset Sale Procedures Order provides, among other things, that the Debtors may: (i) sell an asset or enter into an agreement in connection with a Medical Clinic for an amount that is less than or equal to $35,000 in total cash consideration received by the Debtors (a "Non-Noticed Asset Sale") without Bankruptcy Court approval, and without providing notice of a Non-Noticed Asset Sale to any party; and (ii) sell an asset or enter into an agreement in connection with a Medical Clinic for an amount of consideration that is greater than $35,000 but less than or equal to $1,000,000 (a "Noticed Asset Sale"), only after notice of such sale is provided to certain interested parties and such interested parties are given an opportunity to file an objection with the Bankruptcy Court. The De Minimis Asset Sale Procedures Order required the Debtors to file a motion with the Bankruptcy Court for any asset sale with a sale price greater than $1,000,000. As of April 19, 2012, net proceeds, on a cash basis, of approximately $2 million have been generated through sales effected pursuant to the De Minimis Asset Sale Procedures Order.

To the extent necessary, the Debtors will continue to utilize the procedures set forth in the De Minimis Asset Sale Order post-Confirmation.

(iii) *Furniture, Fixtures and Equipment* ("*FF&E*")

On September 3, 2010, the Debtors filed a motion (the "FF&E Sale Motion") seeking authorization to enter into an agency agreement with a joint venture group comprised of four experienced business asset disposition firms (the "FF&E Agent") for the purpose of selling certain fixtures, furniture and equipment (the "FF&E") located at the Manhattan Campus. The Debtors' agreement with the FF&E Agent provided that the Debtors will recover a guaranteed payment of $3.63 million for the FF&E and may, following a public auction of the FF&E, receive additional recovery. On December 7-10, 2010, the FF&E Agent conducted an auction of the FF&E, which generated approximately $7.6 million of net proceeds (inclusive of guaranteed payment) for the Debtors' estate.

(iv) *Abandonment or Donation of De Minimis Assets*

The Debtors sought Bankruptcy Court approval to establish procedures for the abandonment of certain De Minimis Assets, which included office equipment, office supplies, medical supplies, unsold lots at auction and other similar items located at the Debtors' various locations with particular emphasis on assets from the former Manhattan Hospital. The proposed procedures were designed to dispose of the De Minimis Assets, each of which had a value of less

than $35,000, in an expeditious and efficient manner, thereby minimizing the administrative expense to the estates. The Bankruptcy Court approved the Debtors' motion on January 25, 2011. Certain assets that the Debtors were unable to sell pursuant to these procedures were donated to charities. To the extent there are assets that exist where these procedures would be appropriate, the Debtors will continue to use them post-Confirmation and Effective Date.

(v) *Abandonment and Transfer of FF&E*

In conjunction with the sale of the Manhattan Campus, starting in the fall of 2010, the Debtors began contacting known lessors and vendors to notify them of the Debtors' intention to reject all personal property and equipment leases located at or used by the Manhattan Hospital. The Debtors requested that each lessor and vendor pick up their assets. Despite sending several notices of the Debtors' intention to reject all such personal property and equipment leases, including a final notice sent on August 18, 2011, certain assets were not retrieved from the Manhattan Campus. To avoid incurring any costs associated with the moving or storage of such assets from the Manhattan Campus, the Debtors filed a motion requesting the Bankruptcy Court deem such remaining assets abandoned to the Debtors' estates and authorizing the Debtors to sell or otherwise dispose of such assets free and clear of any claims and interests. Following the entry of the order approving the motion, the Debtors donated the majority of such assets, with any proceeds from the sale of certain abandoned assets being *de minimis*.

3. Exclusivity

Pursuant to section 1121 of the Bankruptcy Code, a debtor has the exclusive right to (1) file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period") and (2) solicit acceptances of the plan during the first 180 days of the case (the "Solicitation Period"). These periods may be extended for "cause" up to a date that is 18 months after the Petition Date. On August 12, 2010, the Debtors filed a motion (the "First Exclusivity Motion") seeking to extend the Exclusive Period and the Solicitation Period for 120 days to December 10, 2010 and February 8, 2011, respectively. The Court approved the extension on September 28, 2010.

Pursuant to Court Orders, the Bankruptcy Court extended the Debtors' Exclusive and Solicitation Periods as follows: (i) on January 25, 2011, extending the Exclusive Period to April 11, 2011 and the Solicitation Period to June 8, 2011; (ii) on May 2, 2011, extending the Exclusive Period to August 9, 2011 and the Solicitation Period to October 6, 2011; and (iii) on September 22, 2011, extending the Exclusive Period to October 14, 2011 and the Solicitation Period to December 14, 2011. The expiration of the 18-month period within which extensions may be sought expired on October 14, 2011. Prior to the expiration of the statutory Exclusive Period, the Debtors entered into a series of agreements with the Committee, the PBGC, 1199SEIU, the 1199SEIU Funds, and NYSNA to extend the Exclusive Period to November 4, 2011 with an extension of the 60-day period. There were eight additional extensions on the same terms. Therefore, the Exclusive Period expires on June 30, 2012.

4. Record Retention Program

Prior to the Petition Date, the Debtors' hundreds of thousands of medical and business records were held at numerous locations, including onsite at each facility and with

multiple third-party storage vendors. These records were from the Debtors, non-Debtors and healthcare facilities that were transferred to third-parties or closed in conjunction with the SV1 Chapter 11 Cases. Following the Petition Date, the Debtors created an internal record retention task force to develop and implement a plan for the storage, access and destruction of Medical and Business Records. With respect to medical records, this task force worked with regulatory agencies and the Patient Care Ombudsman. The Debtors' goals were to comply with applicable federal and state law in an efficient and cost-effective manner while also consolidating the Debtors' vast amount of records into a limited number of storage places.

To address patients' long-term access to their medical records, the Debtors, in coordination with the applicable regulatory agencies and the Patient Care Ombudsman appointed in these cases, developed a records retention and destruction program (the "Records Program"). The Records Program takes into account various non-bankruptcy federal and state law requirements for storage, access and, ultimately, the appropriate destruction of records that no longer need to be preserved. Under such non-bankruptcy laws, the Debtors could be obligated to retain records for many years. To date, thousands of patient records have been transferred to new service providers as part of those transactions pursuant to medical records custody agreements. Nonetheless, the Debtors remain responsible for many more medical records relating to the Debtors' operations as of the Petition Date at multiple locations as well as former operations that ceased prior to the Petition Date. The Records Program establishes an orderly process for transferring these records and providing ongoing access to them as part of the Debtors' overall healthcare mission. Importantly, the Debtors' Records Program does not require the use of section 351 of the Bankruptcy Code.

The Debtors determined that two vendors working cooperatively was the most prudent way to ensure long-term retention of and access to records. MetalQuest-SVCMC Trust LLC d/b/a MetalQuest ("MetalQuest") will be responsible for the Debtors' electronic medical and business records ("Records"). Iron Mountain Information Management, Inc. ("Iron Mountain") will have responsibility for the rest of the Debtors' Records. Iron Mountain will also serve as the single point of contact for all requests for Records. Both Iron Mountain and MetalQuest will be holding the Records in accordance with and for the time periods required under applicable law. Iron Mountain and MetalQuest have authority to destroy Records upon expiration of the applicable time periods. The cost of the Records Program paid to Iron Mountain and MetalQuest was $3,998,002 and $620,000, respectively.

The Debtors' Records Program was developed and established in coordination with the Department of Health and the Patient Care Ombudsman. Retention of patient medical records is an integral component of the Debtors' Closure Plan and transfer of patient services to third parties. The Court approved the Records Program on August 10, 2011 and the consolidation of Records with Iron Mountain and MetalQuest began immediately. The majority of the transfer of Records has been completed; the remaining records will be transferred upon the conclusion of the bankruptcy proceedings.

5. Rejection of Executory Contracts and Unexpired Leases

At the Petition Date, the Debtors were party to numerous executory contracts and unexpired leases that were not necessary to be preserved and were burdensome to the Debtors.

Therefore, to facilitate the rejection of such agreements, the Debtors implemented procedures to streamline the process. Throughout the Chapter 11 Cases, the Debtors reviewed burdensome agreements and once a determination was made to reject such agreements, then the Debtors filed and served notices listing the agreements. Parties were given seven calendar days to object to the rejection and thereafter had thirty (30) days from the rejection notice date to file a claim for rejection damages.

To date, the Debtors have filed thirty-three (33) omnibus notices of rejection of contracts and leases moving to reject a total of 216 contracts or leases.

H. Investigation by the Committee

Following the commencement of these Chapter 11 Cases and the closure of the Manhattan Hospital, various creditors and members of the community (who were not parties-in-interest in these Chapter 11 Cases) made certain allegations about the events leading up to the filing of these second Chapter 11 Cases. The Committee, with the cooperation of the Debtors' professionals, undertook to investigate the Debtors' operations since the effective date of the SV1 Plan and leading up to the commencement of these Chapter 11 Cases. The Committee retained CBIZ to act as its financial advisors and provide services that did not duplicate those provided by the Debtors' crisis managers, Grant Thornton. As part of its retention, CBIZ assisted the Committee in conducting an investigation into the Debtors' financial records and condition, and management's and the board of directors' decisions, since the effective date of the SV1 Chapter 11 Cases to identify whether there were, in fact, any potential claims, whether avoidable under the Bankruptcy Code or applicable state law, including, but not limited to, any claims of fraud or gross mismanagement against any of the Debtors' officers and directors, that, if valid, might increase recoveries to unsecured creditors.

The Committee and its professionals requested from the Debtors and reviewed an extensive amount of documentation concerning available historical financial records, cash disbursement and transfers, employee compensation, and board of director meeting minutes; regularly communicated with the Debtors' advisors and interviewed certain employees; and considered allegations made by various members of the community and others of potential wrongdoing and the decisions that ultimately led to the bankruptcy filing. In the course of the investigation, CBIZ identified and prepared a schedule of the Debtors' disbursements over $100,000, which aggregated to over $3.3 billion in payments, from which the Committee was able to search for payments to insiders and related parties, or other payments that warranted investigation. The Committee and its professionals conducted a further investigation into certain payments that warranted a more detailed review based on the payee, timing of payment or circumstances surrounding the payments. In reviewing the disbursements, the Committee considered and investigated those payments that have been publicly alleged to have been suspect or otherwise fraudulent, including expenses for golf outings and other fundraising activities, management consulting services and other business expenses, which were alleged in the action commenced by Erica T. Kagan, an attorney at Kurland, Bonica & Associates, P.C., captioned as *Kagan v. New York State Dep't of Health*, N.Y. Supreme Ct., Index No. 16110869, filed Aug. 16, 2010. As part of its investigation, the Committee determined that the expenses, like those questioned in the Kagan complaint, were incurred for fundraising and legitimate business purposes and did not, in fact, support allegations of fraud or gross mismanagement.

Overall, the investigation demonstrated that the primary precipitating factors leading to the Debtors' second bankruptcy case were the pursuit of a new hospital following the first bankruptcy and the economic downturn. Ultimately, the Committee did not identify instances of fraud or gross mismanagement by management or the board of directors or other viable claims that were likely to increase recoveries to unsecured creditors and concluded the investigation.

Specifically, the Committee was satisfied that no actionable conduct occurred and that the decisions made by the Debtors' Board of Directors or management could be justified by the business judgment standard.

I. Medical Malpractice and Other Personal Injury Claims and Stay Relief

Prior to the Petition Date, the Debtors were parties to several different types of medical malpractice, general liability, and automotive liability cases. In certain instances, the Debtors carried third-party insurance coverage to address their liabilities under these claims. The Debtors' insurance environment, adjudication of medical malpractice and other personal injury claims and the requests for relief from the automatic stay that have occurred in the Chapter 11 Case are discussed below. In addition, the claims channeled to the MedMal Trusts arising prior to the commencement of the SV1 Chapter 11 Cases, while not entitled to recovery from the Estates, continue to be the responsibility of SVCMC for liquidation and/or settlement purposes.

1. Debtors' Insurance Environment

Historically, the Debtors had a complex insurance structure with a primary layer, a self-insured retention layer after exhaustion of the primary layer, and excess policy coverage utilized after exhaustion of the primary and self-insured retention layers with the structure varying slightly from year-to-year. The insurance coverage provides for the payment of claims (*i.e.*, indemnity) as well as the defense costs. Although the coverage limits are eroded as claims are paid, however, in certain instances, the obligation to fund the defense costs may continue even after erosion. These policies were claims-made policies for the primary layer; therefore, the year in which the incident was reported to the carrier becomes the policy year which governs.

The primary layer coverage per occurrence ranges between $1 million and $7 million while the annual aggregate limit ranges from $3 million to $14 million. For the self-insured layer, the per-occurrence limits range from $0 to $9 million while the annual aggregates range from $0 to $15 million. With respect to the excess layer, the Debtors carried up to approximately $97 million depending upon the policy year and in other instances no aggregate limit.

(a) Medical Malpractice

Prior to and after the Petition Date, the Manhattan Hospital and Pax Christi were insured by Medical Liability Mutual Insurance Company ("MLMIC"), St. Vincent's Westchester Hospital, Holy Family Home and Bishop Mugavero by QIL, the Home Health Agencies by Physician Reciprocal Insurers ("PRI") and St. Elizabeth Ann's first by MLMIC and thereafter by PRI. Upon the consummation of the sales of the Debtors' businesses, the applicable insurance policies were terminated.

(b) General and Automotive Liability Claims

Prior to and after the Petition Date, the Manhattan Hospital and Pax Christi were insured for general liability claims by MLMIC, St. Vincent's Westchester Hospital, Holy Family Home and Bishop Mugavero by QIL, the Home Health Agencies by PRI, and St. Elizabeth Ann's first by MLMIC and thereafter by PRI. Upon the consummation of the sales of the Debtors' businesses, the applicable insurance policies were terminated.

With respect to automotive liability, the Debtors have a deductible reimbursement policy with AIG with QIL covering the deductible.

2. Debtors' Self-Insured Facilities

Upon the emergence from the SV1 Chapter 11 Cases, the Debtors retained the medical malpractice liability that stemmed from Mary Immaculate Hospital in Queens, St. John's Queens Hospital, St. Vincent's Hospital, Staten Island, St. Joseph's Queens Hospital, and St. Mary's Hospital in Brooklyn as well as the liability of the Manhattan Hospital and St. Vincent's Westchester. The hospitals in Brooklyn and Queens were historically self-insured while the hospitals in Staten Island, Manhattan and Westchester carried third-party insurance coverage for the primary layer and then had a self-insured retention layer. As part of the SV1 Plan, the Debtors established the MedMal Trusts in place of their self-insured obligations which upon the liquidation and allowance of a medical malpractice claim in the SV1 Chapter 11 Cases would satisfy such claim on a first come-first serve basis after the application of third-party insurance proceeds.

In addition, upon the transfer of St. Vincent's Staten Island to a third-party, SVCMC terminated its then-third-party insurance policy and therefore for claims reported after March 1, 2007, SVCMC was self-insured.

3. Pending Claims as of the Petition Date

As of the Petition Date, there were approximately 700 medical malpractice claims against the Debtors and their historic and current affiliates. Approximately 370 claims arose prior to July 5, 2005, the petition date in the SV1 Chapter 11 Cases. These claims could potentially recover from applicable third-party insurance and/or the MedMal Trusts. Importantly, these claimants do not hold a claim against the Estates in these Chapter 11 Cases.

As of the Petition Date, approximately 380 medical malpractice claims were pending prior to the Petition Date in the current Chapter 11 Cases. These claimants could recover from applicable third-party insurance coverage and/or the assertion of a general unsecured claim in these Chapter 11 Cases. These claimants are not entitled to a recovery from the MedMal Trusts. Approximately 75 claimants who filed timely unsecured claims elected to proceed against the applicable third-party insurance in exchange for the waiver of any claims they asserted against the Estates. This resulted in a reduction of approximately $90,000,000 in the general unsecured claims pool.

4. Responsibility under the SV1 Plan and the MedMal Trust Agreements with Respect to SV1 MedMal Claims.

Pursuant to the SV1 Chapter 11 Plan and the trust agreements entered into simultaneously therewith, the MedMal Trusts were created to pay claims arising before July 5, 2005 where timely proofs of claim were filed ("Prior Chapter 11 MedMal Claims"). The MedMal Trusts correspond to the following geographic regions: (i) Manhattan/Westchester; (ii) Staten Island; and (iii) Brooklyn/Queens. Any payments out of the MedMal Trusts are net of insurance and each claim is paid in full upon allowance. Through 2009, the MedMal Trusts had satisfied over $42 million in allowed claims.

As of the Petition Date, the MedMal Trusts had approximately $13 million in them with the Brooklyn/Queens Trust significantly underfunded. During the course of the Chapter 11 Cases, the MedMal Trusts received distributions of approximately $28 million from various sources including proceeds from the sale of Staff House.

Pursuant to the SV1 Chapter 11 Plan and the trust agreements, SVCMC retained responsibility for liquidating SV1 MedMal Claims. Upon the filing of these Chapter 11 Cases, the automatic stay went back into effect staying all pending tort litigation. Therefore, holders of SV1 MedMal Claims began seeking relief from the automatic stay in order to continue the prosecution of their actions. Given the Debtors' significant financial constraints, they could not bear the costs of defending the liquidation of the SV1 MedMal Claims unless there was a third-party insurance carrier providing for the defense. Due to the fact that the SV1 MedMal Claims were not claims against these Estates and that potential recoveries for the general unsecured creditors of these Estates was limited, the Debtors were unable to justify the substantial legal expense to defend these actions. To ensure the orderly administration of the SV1 MedMal Claims, the automatic stay will continue to apply to these claims following the Closing of these Chapter 11 Cases as set forth in Section 11.3 of the Plan.

When faced with the initial wave of stay relief requests from holders of Prior Chapter 11 MedMal Claims, the Debtors opposed such requests and prepared a presentation for the Court and the medical malpractice constituents in order to explain the insurance environment, the Debtors' inability to defend these actions and the potential sources of recovery for claimants. Ultimately, the Debtors determined that if there was available third-party insurance coverage, then the Debtors could stipulate to the request if the recovery was limited to the insurance and/or the applicable MedMal Trust because the insurance carrier funded the defense. In the situation of the self-insured claims, the Debtors could only modify the automatic stay in order to implement a settlement agreement on the claim because a defense could not be provided. In those instances, the holders of self-insured SV1 MedMal Claims have commenced negotiations with the Debtors directly to settle the underlying actions therefore allowing for a modification of the stay and collection on the claim. The MedMal Trusts Monitor, in coordination with the Debtors, will continue to resolve SV1 MedMal Claims using the parameters as described in this paragraph, subject to an amendment of the MedMal Trust Agreement to be filed with the Plan Supplement.

The Debtors entered into 49 stipulations as of March 30, 2012 to allow for a modification of the stay for SV1 MedMal Claims. Pursuant to the MedMal Trusts Settlement

Agreement, following the Effective Date, the Estates will be reimbursed per case resolved upon completion of each settlement. After the resolution of the remaining 241 SV1 MedMal Claims, any residual funds in the MedMal Trusts will revert to SVCMC and will be made available for distribution to general unsecured creditors in these Chapter 11 Cases, pursuant to the terms of the SV1 Plan and MedMal Trust Agreement, as amended.

5. Stay Relief Requests in the Chapter 11 Cases

The Debtors have been subject to 207 stay relief requests either by way of formal motion or informal letter as prescribed in the Debtors' case management procedures. To the extent that there is third-party insurance coverage, claimants have agreed to limit their recovery to the policy limits and to waive any general unsecured claims they may hold against the Estates. The Debtors have entered into 196 consensual stipulations to allow claimants to liquidate their claims. Going forward, for those claimants who are willing to abide by the terms set forth in the Debtors' stipulations with respect to stay relief in the personal injury context, the Debtors are amenable to commencing discussions of this nature.

To the extent that there is not insurance coverage and the claim arose between the petition date of the Prior Chapter 11 Cases and the Petition Date, then those claimants hold a general unsecured claim in these Chapter 11 Cases. Given that creditor recoveries in these Chapter 11 Cases have been uncertain since their inception, requests for modification of the stay have been denied by the Debtors. The Debtors will be establishing procedures for the mediation and liquidation of MedMal Claims which will be utilized to address claims for which there is no insurance coverage.

J. Claims Administration and Procedures

1. Schedules and Statements of Financial Affairs

On the Petition Date, the Debtors filed a motion to extend their time within which to file schedules of assets and liabilities and statements of financial affairs (collectively hereinafter, "Schedules") pursuant to Bankruptcy Rule 1007. On May 4, 2010, the Bankruptcy Court entered an order approving this motion setting June 1, 2010 as the extended deadline to file Schedules. By order of the Bankruptcy Court dated May 24, 2010, the deadline was extended to June 14, 2010. After review of the Debtors' books and records and the assistance of their professionals, the Debtors filed their Schedules on June 14, 2010. Thereafter, on August 24, 2010, the Debtors amended their Schedules ("Amended Schedules").

2. General Bar Date

On August 20, 2010, the Bankruptcy Court entered an order ("Bar Date Order") establishing October 12, 2010 at 5:00 p.m. (prevailing Eastern time) ("General Bar Date") as the date by which proofs of claim asserted against the Debtors had to be filed. The General Bar Date was also the last date by which governmental units could file proofs of claim.

On August 26, 2010, the Debtors served, among other things, notice of the General Bar Date in accordance with the Bar Date Order. In addition, on September 10, 2010, notice of the General Bar Date was published in The New York Times and The New York Post.

In response, the Debtors received approximately 4,300 timely proofs of claim, asserting liquidated claims of $6.6 billion, plus unliquidated amounts, and to date have received 400 late filed proofs of claim asserting approximately $140 million. Approximately $1.82 billion in liabilities (including intercompany liabilities) were listed in the Schedules as undisputed, noncontingent and liquidated, for which no proof of claim was required.

Certain claims were excepted from the provisions of the Bar Date Order (the "Excepted General Claims") and were not required to be filed on or before the General Bar Date. Excepted claims include: (a) claims already duly filed in these Chapter 11 Cases with the Claims Agent or the Bankruptcy Court; (b) claims listed in the Debtors' Schedules or Amended Schedules, if the claimant does not dispute the amount or manner in which its claim is listed in the Schedules or the nature of the claim and if such claim is not designated therein as "contingent," "unliquidated," "subject to adjustment," disputed," or "unknown") (or assigned a zero amount); (c) claims already allowed by Court Order; (d) claims of the Prepetition Agent and the DIP Loan Agent; (e) claims already paid in full; (f) claims governed by other deadlines set forth in orders of the Bankruptcy Court; (g) a claim allowable under sections 503(b) and 507(a) of the Bankruptcy Code (other than section 503(b)(9)); and (h) claims asserted by a Debtor against another Debtor.

3. Administrative Bar Dates

An Administrative Expense Claim is defined in the Plan and means as a right to payment against any Debtor or its Estate arising after the Petition Date and prior to the Effective Date constituting a cost or expense of administration of the Chapter 11 Cases that is entitled to priority under sections 503(b), 503(c), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) any actual and necessary costs and expenses of preserving the Estate(s), (b) any actual and necessary costs and expenses of operating any Debtor's businesses during the Chapter 11 Cases and (c) any indebtedness or obligations assumed by the Debtor(s), as debtor(s) in possession during the Chapter 11 Cases. For purposes of this definition, the DIP Loan Claim, the Compensation Claims, the Cash Settlement Claims, and any Statutory Fees are not Administrative Expense Claims. For the avoidance of doubt, none of the Bar Dates described below apply to Compensation Claims.

(a) First Administrative Bar Date Order

On June 14, 2011, the Debtors filed a motion to establish an administrative bar date for claims that arose, accrued, or otherwise became due and payable between April 14, 2010 and May 31, 2011. The Court entered an order ("First Administrative Bar Date Order") setting August 2, 2011 as the First Administrative Bar Date. The Debtors received approximately 270 claims asserting liquidated claims of approximately $158.5 million, plus unliquidated amounts.

Certain claims were excepted from the First Administrative Bar Date Order and were not required to be filed in advance of the First Administrative Bar Date ("Excepted Administrative Expense Claims"): (a) holders of allowed Administrative Expense Claims pursuant to Court Order in advance of the First Administrative Bar Date; (b) any Administrative Expense Claim arising, accruing or becoming due and payable after the First Administrative Bar Date; (c) any holder of an Administrative Expense Claim having already filed a proof of claim

for such Claim; (d) any Administrative Expense Claim held by the Office of the United States Trustee under section 1930(a)(6) of title 28, United States Code; (e) any Professionals retained by the Debtors or the Committee under Court order pursuant to sections 327, 328, 330, 331, or 1103 of the Bankruptcy Code; (f) any Administrative Expense Claim held by the Prepetition Lenders, the Prepetition Agent, the DIP Lenders or the DIP Loan Agent; (g) any Administrative Expense Claim held by the Debtors' officers, directors, and crisis managers; (h) any Manhattan Hospital Tail Claim or Westchester Hospital Tail Claim; (i) any Claim arising from the Settlement Agreement Between and Among Saint Vincents Catholic Medical Centers of New York and The Committee of Interns and Residents/SEIU and Certain Physicians and Nurse Practitioners as approved by the Order of the Court dated October 29, 2010 and any postpetition claims of any physician participating in the Tail Fund relating to such Settlement Agreement; and (j) any postpetition Claims of vendors arising in the ordinary course of business with the Debtors relating to the Debtors' operations in connection with the US Family Health Plan; (k) any Debtor having a claim against another Debtor or any of the non-Debtor subsidiaries or affiliates of SVCMC having a claim against any of the Debtors[7]; and (l) The Mount Sinai Hospital and The St. Luke's Roosevelt Hospital Center, but solely with respect to claims, if any, for return of the postpetition security deposits provided in connection with the real property leases entered into with SVCMC on May 26, 2010.[8]

(b) Second Administrative Bar Date

On April 20, 2012, the Debtors filed a motion to establish an administrative bar date for claims that arose, accrued, or otherwise became due and payable between June 1, 2011 and April 30, 2012. The Court entered an order ("Second Administrative Bar Date Order") setting May 22, 2012 as the Second Administrative Bar Date which may be found at Docket No. 2860.

(c) Third Administrative Bar Date Established Through the Plan

The Debtors will establish an additional bar date through the plan process. Holders of Administrative Expense Claims that arose, accrued or otherwise became due and payable after May 1, 2012 through the Effective Date, will be required to file requests for payment of Administrative Expense Claims by thirty (30) days after the Effective Date or such other date as may be established by the Bankruptcy Court ("Third Administrative Bar Date").

Holders of Administrative Expense Claims who are required to file a request for payment of such Claims and who do not file such request by the Second Administrative Bar Date or the Third Administrative Bar Date (as applicable), will be forever barred from asserting such Claims against the Debtor, the Post-Effective Date SVCMC, the Liquidating Trust or their respective property, and the holder thereof will be enjoined from

[7] These interdebtor and interaffiliate claims were excepted pursuant to a supplemental order entered on July 26, 2011 ("Supplemental First Administrative Bar Date Order").

[8] These claims were included in the Supplemental First Administrative Bar Date Order and the security deposits were returned in full to The Mount Sinai Hospital and The St. Luke's Roosevelt Hospital Center in September 2011.

commencing or continuing any action, employment of process or act to collect, offset or recover on such Administrative Expense Claim.

Notwithstanding the foregoing, the Debtors reserve their rights to establish further administrative bar dates as they deem necessary.

4. Claims Settlement and Objection Procedures

On April 11, 2011, the Bankruptcy Court entered an Order (the "Claims Procedures Order") approving the Debtors' request to establish standardized, informal and formal settlement and objection procedures for the Debtors to resolve the approximately 4,700 filed claims. The Claims Procedure Order permitted the Debtors to attempt to resolve claims, initially, via an informal letter objection to which disputed claimants could choose to respond via a consent form. Claims resolved via the informal objection letter and consent form relieved the Debtors of the need to prosecute such claims via an omnibus objection and lessened the administrative burdens on the estate.

The Claims Procedures Order also provided a mechanism for the debtors to address Claims Objections via omnibus and individualized procedures. The Claims Procedure Order authorized the Debtors to divide claims objections into two tiers: Tier I Objections are those objections of a more ministerial nature that could be easily reconciled against the Debtors' own books and records, including the grounds listed under Bankruptcy Rule 3007. Tier II Objections are those objections that are based on the merits of the asserted claim or more substantive legal grounds. The Claims Procedures Order permitted the Debtors to proceed via omnibus objection, on 30 days' notice, against Tier I Objections, including approving the Debtors' requested additional permitted grounds for proceeding via omnibus objection as compared to the bases listed in Bankruptcy Rule 3007. For Tier II Objections, the Debtors reserved the right to proceed via initial status and scheduling conference rather than set an initial hearing.

The Claims Procedures Order also provided for settlement procedures for certain types of asserted claims based on the settled claims' dollar ranges to permit the Debtors to settle claims efficiently and cost effectively. First, the Claims Procedure Order provided for the settlement of *de minimis* claims without further approval of the Bankruptcy Court or any other party-in-interest. The Claims Procedures Order also authorized the Debtors to enter into settlements where the settlement amount or claim difference was either (i) to be allowed as a prepetition, general unsecured, nonpriority claim less than or equal to $10,000,000, or (ii) to be allowed as a secured claim or priority claim under section 507(a) of the Bankruptcy Code that does not exceed $2,000,000 upon notice to the Committee and the DIP Loan Agent of the settlement and a summary of its salient terms. If the Committee and Agent for the DIP Lenders did not object to the proposed settlement, the Debtors were authorized to proceed with the settlement under the Claims Procedure Order. If either the Committee or the DIP Loan Agent did object, then the Claims Procedure Order gave the Debtors the ability to attempt to renegotiate the settlement and resubmit to the Committee and the DIP Loan Agent or file a Bankruptcy Rule 9019 motion with the Bankruptcy Court on 21 days' notice. Along these same parameters, for settlements or claim differences to be treated as a general unsecured, nonpriority claim greater than $10,000,000, or a secured claim or priority claim under section 507(a) of the Bankruptcy

Code greater than $2,000,000, the Claims Procedure Order mandated the filing of a Bankruptcy Rule 9019 motion on 21 days' notice with the Bankruptcy Court. The Claims Procedures Order further provided that claims for which there was a pending objection filed could be settled and such settlement presented to the Court at the scheduled hearing on 3 days' notice as long as the settlement was either *de minimis* or did not vary in amount asserted in the Debtors' objection by the greater of $100,000 or 15%.

5. Omnibus Objections to Claims

Upon the entry of the Claims Procedures Order, the Debtors began their reconciliation of the approximately 4,700 proofs of claim filed against the Debtors. As provided for in the Claims Procedures Order, the Debtors mailed approximately 1,900 informal objection letters, addressing 1,700 claims in an amount of approximately $2 billion. These resolutions have been indicated on the Notices of Resolved Claims periodically filed with the Court. For those claims where a settlement letter did not result in a resolution, the Debtors then objected to those claims through the filing of omnibus objections. To date, the Debtors have filed 30 omnibus objections to claims resulting in the expunging of 632 claims in the amount of approximately $1.05 billion plus unliquidated amounts.

6. Prosecution of Avoidance Actions

April 14, 2012 marked the two-year anniversary of the commencement of these Chapter 11 Cases. Pursuant to section 546(a) of the Bankruptcy Code, this date was the statutory deadline to commence Avoidance Actions. In contemplation of this statutory deadline, the Debtors, in coordination with Committee's professionals, analyzed potential Avoidance Actions. Over 450 claims were analyzed taking into account various factors, including likelihood of success in defending any preference actions under 547(c). Following their analysis, the Debtors timely filed 250 adversary proceedings seeking to recover approximately $45 million in the aggregate. Although the Debtors consulted with the Committee's professionals on the Avoidance Actions to be commenced, no special treatment was afforded to individual Committee members in determining whether or not to commence the adversary proceedings and, in fact, several Avoidance Actions defendants are individual Committee members.

On April 19, 2012, the Debtors filed a motion to modify the retention of their conflicts counsel, Togut, Segal & Segal LLP to serve as Avoidance Actions Counsel, to commence, prosecute and settle Avoidance Actions for the Debtors for a contingency fee of 22.5% of recoveries plus reimbursement of expenses. The net recovery on Avoidance Actions is currently unknown but will ultimately be made available for distribution to creditors. The Debtors will seek approval of procedures for the settlement and resolution of Avoidance Actions pursuant to a separate motion.

VI. SETTLEMENTS ACHIEVED IN THE CHAPTER 11 CASES

During the Chapter 11 Cases, the Debtors, the Committee and the Debtors' major creditors had the goal of achieving consensual resolutions of issues to avoid litigation and its attendant expense.

Although litigation could have extended to the chapter 11 plan development process, the Debtors believed that it was ultimately more cost effective to strive for consensus. The Debtors and the Committee expended significant time and effort negotiating with the Debtors' largest creditors regarding claim amounts and the other issues related to the formulation of the Plan. To that end and as discussed below, the Debtors believed that litigation of these significant claims, which in many cases are predicated on unsettled law, would have materially decreased, if not eliminated, distributions to unsecured creditors. Rather than run the risk of dramatically increased claim amounts and administrative liability, the Debtors believed that consensual resolution of the Claims was imperative.

After many months of extensive and intensive negotiations among the key constituents, the Debtors have filed their Plan and Disclosure Statement, which provides for an orderly exit from these Chapter 11 Cases. The Plan represents a milestone in these large and complex healthcare cases. Importantly, the Plan embodies and seeks approval of several significant settlements that allow for the payment of all allowed administrative and priority claims against the Debtors' estates and provides for a distribution for general unsecured creditors. The Plan provides for the good faith compromise and settlement of (i) intercompany claims among the Debtors and with the Committee ("Intercompany Settlement") and (ii) individual claim settlements with the Debtors' most significant creditors (*e.g.*, the Pension Benefit Guaranty Corporation, 1199, NYSNA, DOL and the MedMal Trusts Monitor) ("Creditor Settlement Agreements") who, subject to the approval of their settlements, support the Plan. These settlements and the Plan resolve numerous potentially contested legal and factual disputes that, if litigated, could entail protracted litigation, significant cost and, ultimately, would be to the detriment of all claimholders by diluting recoveries and indefinitely delaying any distributions. On the other hand, the settlements, and the Plan, allow for administrative solvency of each of the Debtors' estates and an opportunity for all holders of allowed general unsecured claims to receive a recovery. The Plan provides for an orderly distribution of value to allowed claimholders through a transfer of certain assets and net sale proceeds to a Liquidating Trust, managed by a Liquidating Trustee and overseen by a Post-Effective Date Committee, while also preserving ongoing value from the continued operation of certain healthcare services managed by a Post-Effective Date SVCMC. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Intercompany Settlement and the Creditor Settlement Agreements and the Bankruptcy Court's findings will constitute its determination that the Intercompany Settlement and the Creditor Settlement Agreements are in the best interests of the Debtors, their Estates, creditors and other parties-in-interest, and are fair, equitable, and within the range of reasonableness. A copy of the Creditor Settlement Agreements may be found at Docket No. 2910.

A. Intercompany Settlement Among the Debtors and the Committee

Pursuant to Bankruptcy Rule 9019 and section 1123 of the Bankruptcy Code, the Plan itself will provide for a settlement among the Debtors and with the Committee relating to the intercompany liabilities and allocation of asset sale proceeds among the Estates, including prepetition and postpetition reimbursement and contribution claims between each of the Estates. The Intercompany Settlement allows for payment of all administrative and priority claims against each Estate and an opportunity for all GUCs to obtain a distribution.

Given the Debtors' financial condition and the significant prepetition indebtedness, at the outset of these Chapter 11 Cases, the Debtors had concerns regarding the administrative insolvency of certain Estates. Once the Debtors had successfully transferred most of their healthcare operations and disposed of their major real estate assets – which lead to the complete satisfaction of the Prepetition Facility – the Debtors and the Committee focused on settling the potentially disputed intercompany claims. These claims concerned allocation of asset proceeds among certain Estates and potentially significant intercompany claims for overhead allocation, reimbursement and contribution.

For example, while significant services were being provided by the various Estates and the Committee's restructuring professionals and central business office staff on behalf of all Debtors, these costs were borne primarily by SVCMC. Historically and during the Chapter 11 Cases, a fixed allocation based upon historic practices was utilized to reimburse the SVCMC estate for overhead charges. In actuality, to perform an accurate intercompany allocation, the Debtors would be required to expend significant resources to review all expenses of the Estates both during the Chapter 11 Cases and historically as well as review all professionals' fee detail to determine the work provided on behalf of each Debtor. This analysis would be arduous and expensive to undertake.

Additionally, each Debtor was a borrower under the DIP Facility which directly and indirectly funded each Debtors' Chapter 11 Case. The DIP Facility allowed for the payment of overhead expenses and other necessary Chapter 11 costs. The DIP Facility and other senior secured indebtedness was repaid as and when asset sale proceeds were collected. The proceeds from the sale of Bishop Mugavero were utilized to pay approximately $29 million of the DIP Facility. While the professional fees incurred for services rendered to Bishop Mugavero were funded by the DIP Facility, Bishop Mugavero did not use DIP Facility funds for its everyday operations. The ability of Bishop Mugavero to assert an intercompany claim to recover these proceeds is disputed as it was a borrower under the DIP Facility and thus jointly and severally liable for the DIP Facility. Similarly, Pax Christi's sale proceeds were utilized to pay a portion of the Prepetition Facility and Pax Christi may similarly be able to assert an intercompany claim which could be disputed as Pax Christi was also a borrower under the DIP Facility. The propriety of these potential intercompany claims would require resolution of the precise allocation of Chapter 11 costs of each Estate – a burdensome task as described above. Additionally, the order approving the DIP Facility included a provision whereby neither the DIP Lenders, the DIP Loan Agent, the Prepetition Lenders, or the Prepetition Agent would be subject to the doctrine of marshalling. Absent settlement, potentially protracted litigation could have ensued over the propriety of contribution and reimbursement claims among the Estates.

Significant disputes may have also arisen regarding the proper allocation of sale proceeds among certain Estates. Notably, the St. Elizabeth Ann sale transaction involved the transfer of the business related to 72 neuro-psychological beds situated in the Bayley Seton Hospital, which is a SVCMC entity. The Debtors believe that significant value could have been ascribed to these specialized services, which were not located on St. Elizabeth Ann's property. The St. Elizabeth Ann's transaction resulted in total net proceeds of $31 million prior to any allocation to Bayley Seton. The business consists of the nursing home facility which is owned by St. Elizabeth Ann's and these 72 neuro-psychological beds at Bayley Seton which derive approximately $17 million in revenue annually. Moreover, the entry into the ground lease with the St. Elizabeth Ann's purchaser was an integral component of the transaction because the purchaser attributed significant value to those specialized beds. To address concerns of certain creditors of St. Elizabeth Ann's, the Debtors attempted to market the Bayley Seton ground lease on a dual track. No interest was shown in that lease. Instead, the purchaser indicated that the price would be lowered if the 72 neuro-psychological beds were eliminated from the business. Therefore, one integrated transaction resulted. Without a resolution of the intercompany allocation issues, SVCMC potentially could have asserted a significant claim against the St. Elizabeth Ann's Estate, on account of the value attributed to the 72 neuro-psychological beds. Resolution of that claim would have required significant valuation analysis and expert testimony. Litigation of that claim would have been costly, highly factual and technical, lengthy and cause delay in reaching an Effective Date.

Recognizing the complexity of these intercompany issues and the cost of highly factual and potentially protracted litigation, the Debtors and the Committee determined that a global settlement is far more beneficial to the Estates. Importantly, certain Estates could be administratively insolvent without this settlement with those particular creditors receiving no distribution. The intercompany settlement allows for the administrative and priority claims of each Debtor to be paid on the Effective Date. Thereafter, any proceeds obtained by the Estates going forward will be aggregated and distributed to general unsecured creditors of all of the Debtors.

Absent settlement, the Debtors would not be able to predict the outcome of potential litigation, given the factual and legal complexities associated therewith. The intercompany issues would require significant litigation, discovery, involvement of experts and forensic accountants as well as the Debtors' and Committee's professionals which would result in burdensome administrative expense to all Estates. Resolution of these issues would result in indefinite delay to reach an Effective Date of the Plan. Moreover, the resulting expense and delay is not in the best interests of creditors. Settlement prevents a significant diminution in the value of the assets and accelerates and increases the certainty of the Effective Date on which distributions to creditors will commence.

B. PBGC Settlement

The Debtors are a contributing sponsor and maintained the Saint Vincents Catholic Medical Centers Retirement Benefit Plan, a qualified defined benefit pension plan, ("Pension Plan") covered under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") established on July 1, 1982. The Pension Plan covered approximately 9,500 former and current employees ("Pension Plan Participants").

The Pension Plan was subject to the funding requirements of ERISA and the Internal Revenue Code, as amended ("IRC") and is qualified under IRC section 401(a). The PBGC is the wholly-owned United States government corporation and agency of the United States created under Title IV of ERISA to administer the federal pension insurance programs and enforce compliance with the provisions of Title IV. PBGC guarantees the payment of certain pension benefits upon termination of a pension plan covered by Title IV. Pursuant to 29 U.S.C. § 1362, the Debtors and all members of the Pension Plan's controlled group are jointly and severally liable for certain liabilities associated with the Pension Plan.

In January 2010, the Debtors failed to make a quarterly required minimum contribution payment, primarily due to liquidity constraints, resulting in the imposition of a statutory lien by the PBGC in the amount of approximately $5 million plus interest ("PBGC Secured Claim") against the Debtors and other members of the controlled group ("SVCMC Group"), which includes QIL and QNY. While the automatic stay prevented the perfection of additional liens for missed contributions against the Debtors, the non-Debtor affiliates continued to be subject to liens in April and July 2010. Presently, the total amount of liens against QIL and QNY is approximately $23 million plus interest ("PBGC Secured QIL Claim").

As a qualified defined benefit pension plan, the Pension Plan is insured by the PBGC. When a pension plan covered by ERISA terminates without sufficient assets to pay all of its accrued liabilities, the PBGC typically becomes a trustee and administrator of the pension plan, assumes responsibility for the administration of the plan and its trust, and pays plan participants their pension benefits, subject to certain statutory limits. By agreement dated November 1, 2010, the Pension Plan was terminated and the PBGC was appointed the statutory trustee of the Pension Plan. The PBGC established September 14, 2010 as the date of plan termination.

During the Chapter 11 Cases, the PBGC filed contingent Claims against the Debtors, jointly and severally, on behalf of itself and the Pension Plan, which included: (i) Claim No. 3129, filed as an administrative and/or priority claim based on the statutory liability to the PBGC under ERISA §§ 4062 and 4068, 29 U.S.C. §§ 1362 and 1368, for the amount of the Pension Plan's unfunded benefit liabilities in an amount of $294,800,000 (the "UBL Claim"); (ii) Claim No. 3130, filed as an administrative and/or priority claim based on the statutory liability to the PBGC for termination premiums owed under ERISA §§ 4006 and 4007, 29 U.S.C. §§ 1306, 1307 in an amount of $35,812,500 (the "Termination Premiums Claim"); (iii) Claim No. 3133, filed as an administrative and/or priority claim based on the statutory liability to the PBGC, as trustee of the terminated Pension Plan, for minimum funding contributions owed to the Pension Plan under IRC sections 412 and 430, 26 U.S.C. §§ 412, 430 and ERISA § 302, 29 U.S.C. § 1082 in an amount of $25,517,737 (the "Minimum Funding Claim") of which portions of its claim have been asserted as secured ($5,053,504), entitled to administrative expense priority ($2,862,249), and priority under section 507(a)(5) of the Code ($3,943,351) against each of the Debtors' estates; (iv) Claim No. 3131, filed as a general unsecured claim based on the statutory liability to the PBGC, as trustee of the terminated Pension Plan, for shortfall and waiver amortization charges under ERISA § 4062(c), 29 U.S.C. § 1362(c) in an amount of $158,952,595 (the "Shortfall Amortization Claim"); and (v) Claim No. 3132, filed as a general unsecured claim for breach of contract relating to the July 5, 2007, Supplemental Agreement with Pension Benefit

Guaranty Corporation in Connection with the Debtors' First Amended Plan in an unliquidated amount (the "Contract Claim") (collectively, the "PBGC Claims").

During the Chapter 11 Cases, the Debtors satisfied the PBGC Secured Claim in two installments. First, in August, 2011, the Debtors paid approximately $2.4 million in proceeds from non-Debtor East Nineteenth Street's claims in the Cabrini Medical Center bankruptcy as well as the proceeds from the sale of those claims to a third-party. Then, on September 30, 2011, certain proceeds from the sale of the Manhattan Real Estate were used to satisfy the remainder of the PBGC Secured Claim in full. These payments also reduced the PBGC Secured QIL Claim.

As a result of the good faith, arms' length negotiations with the PBGC, the Debtors entered into a settlement agreement with the PBGC on April 20, 2012 ("PBGC Settlement Agreement"). As more fully set forth in the PBGC Settlement Agreement found at [Docket No. 2910], the Debtors, the Committee and the PBGC agreed to the following terms and conditions[9]:

- The PBGC has the following claims against the Debtors:
    - An Allowed Cash Settlement Claim of $41.5 million which will be treated in accordance with Allowed Unclassified Claims under the Plan ("PBGC Cash Settlement Claim"), which will be paid as follows (i) on the Effective Date, $37.5 million in Cash and (ii) within six (6) months of the Effective Date, at the option of the Committee or any successor thereto, in consultation with the Liquidating Trustee or such other successor to the Debtors, either (x) $4 million in Cash or (y) the Westchester Promissory Note.
    - A general unsecured claim, treated in accordance with Class 3, in the amount of approximately $229.63 million ("PBGC Unsecured Claim"). The PBGC Unsecured Claim which was originally $294.8 million was offset by: (a) the QIL Value (defined below); (b) the PBGC Cash Settlement Claim; and (iii) the PBGC Secured Claim, resulting in approximately $229.63 million.
- The PBGC has the following claims against QIL and QNY:
    - The PBGC Secured QIL Claim, less any prior amounts paid to PBGC on account of the secured claim. As noted above, the PBGC received approximately $5 million in 2011 which reduced the PBGC Secured Claim.
    - Pursuant to the PBGC Settlement Agreement, the QIL Entities will make a dividend to SVCMC in the amount of $5 million upon approval from the Cayman Island Monetary Authority ("CIMA"). This dividend payment comes from assets that are subject to the PBGC's liens and is being made to reduce that secured claim against the QIL Entities. Upon payment, the PBGC

[9] This description is for information purposes only and in the event of any inconsistency, the PBGC Settlement Agreement shall govern.

Secured QIL Claim will be reduced to $12,722,047 plus accrued interest. This dividend payment is expected to be made prior to the Effective Date.[10] Within one year of the Effective Date, the Liquidating Trustee or such other successor to the Debtors may make a cash payment to the PBGC in the amount of $10 million plus all accrued interest in full and final satisfying of the remaining amount of the PBGC Secured QIL Claim.

- o Upon full satisfaction of the Secured QIL Claims or, if applicable, receipt of the QIL Payment by the PBGC, the PBGC agrees to waive any remaining claims it may have against QIL and QNY. Any excess value actually received will be a Liquidating Trust Asset.

Although the Debtors had not yet filed objections, absent a settlement, litigation would have been required to resolve to the PBGC Claims. One of the key issues that would have had to be resolved through litigation is the calculation of the underfunding claim, which would require the determination of the assets used to calculate the PBGC Claims and the interest rate used to determine the Pension Plan's assets and liabilities. The outcome of that litigation would have required competing expert analysis and discovery over the legal precedent, appropriate interest rates, various actuarial assumptions, and the priority to afford such claims.

Importantly, the Debtors were not assured of success in litigation with the PBGC. Similar claims filed by the PBGC have been the subject of litigation in other courts where various calculation methods have been used. The risk of litigation is that there is no established methodology to calculate the PBGC Claims and the result could be significantly increased claim amounts. The Debtors believed that rather than risk adverse determination after expensive litigation, the PBGC Settlement Agreement represents a compromise that is within the range of reasonableness and allows for the filing of a joint plan in these Chapter 11 Cases. By fixing the PBGC Claims, the Debtors also have ensured the support of one of their largest unsecured creditors in the proposal of the Plan.

C. Labor Settlements[11]

1. Claims Related to Employee Wages and Benefits

During the Chapter 11 Cases, 1199SEIU and NYSNA filed significant administrative, priority and general unsecured claims against the Debtors' estates. Specifically:

- 1199SEIU filed largely unliquidated and contingent claims, pursuant to the collective bargaining agreements ("CBAs") for, among other things, unpaid wages, paid time off, severance, pending or resolved grievance and arbitration claims and arising under

[10] Although the source of the $5 million payment to the PBGC will be funds of the non-Debtor QIL Entities that are subject to the PBGC's liens, the payment is being authorized by CIMA as a dividend to SVCMC that, in turn, will make the payment directly to the PBGC. For this reason, the Debtors filed a motion to request authorization to facilitate and implement the QIL Entities' payment to the PBGC.

[11] The descriptions set forth in this Section are for information purposes only and in the event of any inconsistency, the respective Settlement Agreements shall govern.

the federal and state Worker Adjustment and Retraining Notification Act ("WARN Act").

- NYSNA filed approximately $24 million plus additional unliquidated and contingent claims pursuant to the CBAs for, among other things, unpaid wages, paid time off, severance, pending or resolved grievance and arbitration claims and arising under the federal and state WARN Acts.

In addition to the above claims, the New York State Department of Labor ("DOL") filed an administrative expense claim for approximately $48 million against SVCMC pursuant to the New York State WARN Act ("DOL WARN Claim") The Debtors objected to the DOL WARN Claim in November 2010 to which 1199SEIU and NYSNA responded. Since then, the Debtors, the DOL, 1199SEIU, NYSNA, and the Committee engaged in discussions to resolve claims asserted pursuant to the federal and state WARN Acts. The settlements set forth below encompass a proportional recovery for each of 1199SEIU, NYSNA and the DOL on the alleged WARN Act claims.

Other than with respect to WARN Act claims, the Debtors had not objected to the claims asserted by 1199SEIU and NYSNA and instead determined that a negotiated resolution of all claims would be efficient and less costly to the Estates. As a result of good faith, arms'-length negotiations, the Debtors, the Committee, NYSNA, 1199 SEIU, and the DOL have reached agreements. The Debtors filed the settlement agreements with the Bankruptcy Court at Docket No. 2910. As more fully set forth in each Creditor Settlement Agreement, the parties agreed to the following terms and conditions:

- 1199 SEIU has the following claims against the Debtors:
  - An Allowed Bankruptcy Code section 503(b) claim in the amount of $2,003,218 to be paid on the Effective Date of the Plan.
  - An Allowed Bankruptcy Code section 507(a)(4) claim in the aggregate amount of $3,675,751 to be paid on the Effective Date of the Plan.
  - An Allowed GUC Claim in the aggregate amount of $7,951,901 to receive *pari passu* treatment with all other Allowed GUC Claims under the Plan.
- NYSNA has the following claims against the Debtors:
  - An Allowed Bankruptcy Code section 503(b) claim in the amount of $1,896,782 to be paid on the Effective Date of the Plan.
  - An Allowed Bankruptcy Code section 507(a)(4) claim in the aggregate amount of $2,878,753 to be paid on the Effective Date of the Plan.
  - An Allowed GUC Claim in the aggregate amount of $8,290,661 to receive *pari passu* treatment with all other Allowed GUC Claims under the Plan.

- DOL has the following claims against the Debtors:
  - An Allowed Cash Settlement Claim in the amount of $2,258,000 to be paid on the Effective Date of the Plan.
  - An Allowed GUC Claim in the aggregate amount of $8,691,000 to receive *pari passu* treatment with all other Allowed GUC Claims under the Plan.

Payment or allowance of these claims are in full and final satisfaction of any and all obligations arising under the CBAs and related agreements for either party and also resolve any and all claims asserted by individual employees on the same bases.

In addition, the Settlement Agreements expressly terminate all CBAs and other related agreements except for those that were assumed by third-party purchasers and certain CBAs (as indicated in the 1199 and NYSNA Settlements Agreements) will remain in effect until the last employee is terminated or voluntarily resigns from the Debtors' employment as more fully set forth in the 1199 and NYSNA Settlement Agreements. The Debtors will not incur any damages or liability from the termination and the continuation of the aforementioned CBAs does not constitute the assumption or rejection of an executory contract.

Prior to filing this Disclosure Statement and the Plan, the Debtors, the Committee, 1199SEIU and NYSNA engaged in a process whereby a personalized letter was sent to each member of the respective unions detailing their recoveries under the 1199 Settlement Agreement and the NYSNA Settlement Agreement. To the extent that claims remain unresolved, the Debtors agreed to reserve an amount representing the disputed wage and paid time off claims asserted by individual members. As of the date hereof, the Debtors, 1199SEIU and NYSNA have not completed their reconciliation and resolution of the disputes raised in response to the letters. Therefore, the amounts listed in this section are approximations as of the date hereof.

Moreover, the Debtors intend to continue the employment of approximately thirty unionized nurses and employees that provided services to the USFHP Program and the Debtors' central business office. These individuals are essential to these continuing aspects of the Debtors' operations and they will receive their wages and benefits in the ordinary course after the Effective Date. The Debtors will however reconcile their prepetition claims for wages and benefits on or about the Effective Date.

2. Claims Related to Benefit Fund Contributions

The 1199 Funds also asserted significant administrative, priority and general unsecured claims against the Debtors estates. Specifically, 1199 Funds asserted approximately $119 million in claims pursuant to the CBAs, ERISA and the Multiemployer Pension Plan Amendments Act of 1980 ("MPPAA") for benefit fund contributions and withdrawal liability.

Pursuant to 29 U.S.C. § 4001.2, the Debtors and all members of the controlled group could be jointly and severally liable for withdrawal liability associated with the pension funds. Litigation on these claims in particular would have required expert discovery and testimony as to the date of withdrawal from the pension funds, the total amount of withdrawal liability, classification of such claims, and distributions to be made on such claims from each

Estate. Therefore, resolution of these claims is an integral component of the overall settlements reached by the parties in determining the architecture of the Plan. Without a resolution, the litigation associated with the amount, classification and allocation of such claims will be burdensome, lengthy and expensive.

Therefore the Debtors negotiated resolutions of these claims with the 1199 Funds in full and final satisfaction as more fully set forth in the Settlement Agreements:

- 1199 Funds have the following claims against the Debtors:
    - An Allowed Bankruptcy Code section 503(b) claim in the amount of $2,420,000 to be paid on the Effective Date of the Plan.
    - An Allowed Bankruptcy Code section 507(a)(5) claim in the aggregate amount of $4,858,302 to be paid on the Effective Date of the Plan.
    - An Allowed GUC Claim in the aggregate amount of $55,400,000 to receive *pari passu* treatment with all other Allowed GUC Claims under the Plan.
    - An Allowed Multi-Employer Pension Fund Subordinated Unsecured Claim in the aggregate amount of $55,400,000 to receive *pari passu* treatment with all other Allowed Multi-Employer Pension Fund Subordinated Unsecured Claims.

Payment or allowance of these claims are in full and final satisfaction of any obligations arising under the CBAs for either party and also resolve issues related to the joint and several nature of the withdrawal liability claims and the allocation of any distribution on such claims.

D. MedMal Trust Monitor Settlement

Pursuant to the SV1 Plan, the MedMal Trusts were established to satisfy alleged claims for medical malpractice against SVCMC, its physicians and employees which arose before the filing of the SV1 Chapter 11 Cases (*i.e.*, July 5, 2005). To qualify for potential coverage under the MedMal Trusts, the purported medical malpractice claims had to have been timely filed in the SV1 Chapter 11 Cases. The MedMal Trusts' obligation to make payments to holders of timely filed medical malpractice claims was conditioned upon such claims becoming "allowed" under the SV1 Plan, and in each and every case, net of third-party insurance upon a first come, first served basis. Under the SV1 Plan, the MedMal Trusts Monitor was tasked with certain oversight and enforcement duties for the MedMal Trusts. To partially secure the funding obligations from SVCMC due under the SV1 Plan, SVCMC granted to the MedMal Trusts second priority security interests in Staff House and the Westchester Real Property.

As discussed in more detail in Section V(G)(2), during these Chapter 11 Cases, the MedMal Trusts received approximately $22 million on account of their secured claims from the sale of the Staff House. Upon the sale of the Westchester Real Property, the junior lien of the MedMal Trusts ("MedMal Trusts Monitor Secured Claim") attached to the allocable sale proceeds relating to the Westchester Real Property ("Westchester Proceeds").

The MedMal Trusts Monitor also asserted a priority claim on behalf of the MedMal Trusts, pursuant to section 507 of the Bankruptcy Code, against SVCMC for approximately $120 million subject to reductions ("MedMal Trusts Monitor Claim").

As a result of extensive good faith, arms'-length negotiations, the Debtors, the Committee and the MedMal Trusts Monitor entered into a settlement agreement on April 20, 2012 as amended on May 16, 2012 (the "MedMal Trusts Settlement Agreement"). The resolution of the SVW Allocation Dispute and the entry into the Sun Life Settlement Agreement facilitated the amendment to the MedMal Trusts Settlement Agreement to specify that the MedMal Trust was receiving the SVW Payment as defined below. The MedMal Trusts Settlement Agreement was filed with the Bankruptcy Court at Docket No. 2910 and will be approved in conjunction with confirmation of the Plan. The parties agreed to the following terms, in full and final satisfaction of any claim that has been or may be asserted against the Debtors and the Releasees, including without limitation, the MedMal Trusts Monitor Secured Claim and the MedMal Trusts Monitor Claim:

- The MedMal Trusts will receive a Cash Settlement Claim which is comprised of:
  - Eighteen percent (18%) of the allocation of the Westchester Proceeds actually received by SVCMC, which will be paid solely from Westchester Proceeds upon the Effective Date of the Plan ("SVW Payment") which is approximately $1.92 million.[12]
  - Payment of net proceeds from the sale or other recovery based upon SVCMC's claim in the proceeding of Reliance Insurance Company, Case No: 269-MD 2001 to be shared *pro rata* between the MedMal Trusts and SVCMC based upon payments made on account of the relevant underlying medical malpractice case, which payment will be made on the Effective Date or as soon as practicable upon the receipt of such proceeds.

- The MedMal Trusts Monitor will have an allowed non-priority, general unsecured claim in the amount of $115 million minus the SVW Payment ("MedMal Trusts Monitor Unsecured Claim") in the aggregate amount of $113.08 million, which will be allowed and paid *pro rata* with the all Allowed GUC Claims in accordance with the Plan, including any allowed general unsecured claims in from the SV1 Chapter 11 Cases that become Allowed GUC Claims in these Chapter 11 Cases.

In addition, the MedMal Trusts Monitor has agreed to expressly waive any right to assert that the holders of allowed general unsecured claims in the SV1 Chapter 11 Cases or

[12] Under the initial settlement with the MedMal Trusts Monitor, in lieu of receiving the SVW Payment, the MedMal Trusts Monitor could elect to retain its lien under the MedMal Trusts Secured Claim. However, based upon the resolution of the SVW Allocation Dispute, and the separate Sun Life Settlement Agreement, the MedMal Trusts Monitor will receive the SVW Payment and will not receive any distribution on account of the MedMal Trusts Secured Claim. Accordingly, the MedMal Trusts Settlement Agreement was amended to conform to the SVW Payment to be made.

which become Allowed GUC Claims in these Chapter 11 Cases should be or are subordinated to the MedMal Trusts Monitor Unsecured Claim in these Chapter 11 Cases.

The parties also agreed to the exchange of other consideration, including amendments to the three MedMal Trust Agreements, which will be filed with the Plan Supplement. As of the date hereof, there are approximately 241 unresolved SV1 MedMal Claims to be resolved to fully administer the trusts and wind down the three trusts' affairs. SVCMC has agreed to continue to provide reasonable assistance to resolve and settle SV1 MedMal Claims subsequent to the Effective Date in exchange for a payment of $2,000 per case settled or otherwise resolved. To ensure the continued efficient administration of the trusts while the unresolved SV1 MedMal Claims are resolved, and because SVCMC's Estate has a residual interest in the trusts, the automatic stay and any other injunction will remain in full force relative to such SV1 MedMal Claims until it has been fully and finally resolved.

Settlement avoids potentially significant, protracted and costly litigation with the MedMal Trusts Monitor over (i) the validity, priority and amount of its various filed proofs of claim, (ii) the MedMal Trusts Monitor's alleged claims and entitlements under the SV1 Plan, and (iii) resolution of many of the same issues underlying the intercompany settlement. Rather than using resources for potentially costly litigation, the MedMal Trusts Settlement Agreement resulted in claim amounts that are within the range of reasonableness and allowed for the filing of the Plan in these Chapter 11 Cases. The Debtors have also ensured they have the support of another one of their largest unsecured creditors. Moreover, the MedMal Trusts Settlement Agreement contemplates a process to resolve the pending SV1 MedMal Claims to provide a potential recovery for these claimants while also facilitating the final administration of the trusts as well as the closing of the SV1 Chapter 11 Cases.

E. The Reasonableness of the Intercompany Settlement and the Creditor Settlement Agreements

The Debtors believe that the Intercompany Settlement and the Creditor Settlement Agreements are fair, equitable, within the range of reasonableness and are in the best interests of the Estates' creditors. An analysis of the probabilities of success in litigation, the complexity of and delay from litigation, and the paramount interest of creditors weigh in favor of approval of the Intercompany Settlement and the Creditor Settlement Agreements by the Bankruptcy Court.

The claims asserted by the Creditor Settlement Parties (PBGC, 1199SEIU, 1199 Funds, NYSNA, the DOL, and the MedMal Trusts Monitor) aggregate to approximately $875 million plus unliquidated amounts. The statutory, contractual and other bases for these claims are complicated and would likely require protracted discovery and expert testimony to resolve. In addition, in order to implement the Creditor Settlement Agreements, significant intercompany and intercreditor issues regarding the allocation of Sale Proceeds and the interpretation of certain provisions of the SV1 Plan had to be resolved. Moreover, the case law addressing many of the claims asserted by the Creditor Settlement Parties is subject to varying decisions from courts on these issues.

In the Debtors' view, the Intercompany Settlement and the Creditor Settlement Agreements eliminates the risk of adverse decisions on these issues. The uncertainty on the

outcome of the litigation based on the varying precedent is also obviated by the settlements. Litigation would also have resulted in third-party claims and intercreditor claims that would need to be resolved in conjunction with any claims asserted against the Debtors. Moreover, litigation would have resulted in increased cost and expense to the Estates. Instead, those funds are now available for distribution to creditors. These settlements are in the best interests of creditors because they provide for a reasonable resolution of these Chapter 11 Cases and provide for a distribution to unsecured creditors that will not be unduly prolonged by litigation. The Debtors' judgment to enter into the Creditor Settlement Agreements and the Intercompany Settlement is supported by the Committee.

F. Tail Coverage Settlement

On July 28, 2010, the Committee of Interns and Residents/SEIU ("CIR") on behalf of its members and Charles Carpati, M.D., Susan Minkowitz, M.D., and Andrew Bohmart, M.D. (the "Professional Staff Committee") on behalf of a group of 106 physicians and two nurse practitioners at the Manhattan Hospital (the "Professional Staff"), filed a motion seeking allowance and payment of an approximately $20 million administrative expense claim for tail insurance coverage ("Tail Coverage Motion"). In the Tail Coverage Motion, the CIR and the Professional Staff ("Movants") alleged, *inter alia*, that SVCMC is obligated to provide tail insurance coverage to the Movants and that their alleged indemnity claims constituted administrative expenses of SVCMC. The Movants also alleged that SVCMC lacked authority to cancel the professional liability insurance policy as of July 1, 2010. The Debtors denied the allegations and asserted that, to the extent any indemnity claims existed, such indemnity claims were general unsecured claims rather than administrative expense claims. SVCMC also contended that it was authorized to cancel the professional liability coverage in the ordinary course of its business of winding down and closing the Hospital. Rather than engaging in complicated and expensive litigation, the Debtors and the Movants entered into a settlement agreement, approved pursuant to Bankruptcy Rule 9019 in October 2010, which is to be implemented through the Plan ("Manhattan Tail Settlement Agreement").

The Manhattan Tail Settlement Agreement provides for the creation of a "self-insurance fund" (the "Manhattan Tail Fund") and claims resolution process ("Tail Claims Resolution Procedures") for satisfying medical malpractice claims asserted against the Manhattan Hospital and/or Manhattan Covered Staff after the last date of coverage under the third-party insurance policy ("Tail Claims"). In order to implement the Manhattan Tail Fund and Tail Claims Resolution Procedures that will be established, the Debtors obtained a temporary extension of the automatic stay for the Covered Staff ("Tail Stay Extension") which is set to expire upon the Effective Date of the Plan.

The Manhattan Tail Fund will be funded by contributions from the Manhattan Covered Staff matched with an equal contribution by SVCMC upon the Effective Date. Each Manhattan Covered Staff[13] will contribute based upon their specialty's risk by way of cash contribution or their administrative or priority claim distribution up to their contribution amount.

[13] Manhattan Covered Staff means, collectively, the Manhattan Health Staff, the Manhattan House Staff, and the Manhattan Physician Staff, (all defined below) a list of which will be filed as a Plan Supplement.

Manhattan House Staff[14] will contribute their administrative and/or priority claim up to $1,000 with no other cash contribution while the Manhattan Health Staff[15] are participating without any contribution obligation. The Movants were automatically included in the Tail Fund, but were given the opportunity to elect to opt-out of the Tail Fund on or before January 8, 2011. The Debtors also invited all other professionals previously covered by the Debtors' third-party insurance policy since July 5, 2005 (the SV1 Petition Date) and provided them with the opportunity to opt-in to the Tail Fund on or before January 8, 2011. All attending physicians having elected to participate either by opting-in or refraining from opting-out of the Manhattan Tail Fund are known as Manhattan Physician Staff. A list of the Manhattan Covered Staff participating in the Manhattan Tail Fund will be filed as part of the Plan Supplement.

The Debtors' have determined based upon an actuarial and historical analysis that the Manhattan Tail Fund would require up to $2.6 million to cover potential liabilities for those former medical staff that have elected to participate in the fund. In September 2011, the Debtors sought final payment from the Manhattan Physician Staff for their half of the Manhattan Tail Fund. As of the date of the Disclosure Statement, 123 Manhattan Physician Staff and 373 Manhattan House Staff are participating in the Manhattan Tail Fund. The Debtors' obligation to fund the Manhattan Tail Fund is pursuant to the Manhattan Tail Settlement Agreement previously approved by the Court and will take place on the Effective Date. Upon the approval of the Manhattan Tail Settlement Agreement, the Tail Coverage Motion was deemed withdrawn *without* prejudice. Upon entry of the Confirmation Order approving the Plan, which includes the channeling injunctions described in the Plan and the Manhattan Tail Settlement Agreement, the withdrawal of the Tail Coverage Motion will be deemed to be *with* prejudice.

In February 2011, certain former professional staff at St. Vincent's Westchester Hospital began negotiations with the Debtors to establish a corresponding self-insurance fund for Westchester Tail Claims. In lieu of filing a motion to seek this relief, the Westchester Covered Staff[16] requested participation in the Manhattan Tail Fund ("Westchester Tail Settlement Agreement"). The Debtors instead determined that the creation of a separate self-insurance fund ("Westchester Tail Fund") in the amount of $300,000 was prudent and entered into the Westchester Settlement. Participating Westchester Covered Staff will also benefit from the Tail Stay Extension and would contribute using the same mechanisms as the Manhattan Covered Staff. Pursuant to Bankruptcy Rule 9019, the Court approved the Westchester Tail Fund on September 22, 2011. The Westchester Physician Staff were also provided with the opportunity

[14] Manhattan Health Staff means all of the former nurses, nurse practitioners, medical technicians, and other medical staff previously employed at the Manhattan Hospital, as covered by the Manhattan Tail Settlement Agreement.

[15] Manhattan House Staff means the former residents, interns and fellows previously employed at the Manhattan Hospital, as covered by the Manhattan Tail Settlement Agreement.

[16] Westchester Covered Staff means the Westchester Physician Staff and the Westchester Health Staff. Westchester Physician Staff means certain former professional staff previously employed by St. Vincent's Westchester and its affiliated clinics and other facilities that are participating in the Westchester Tail Fund, a list of which will be filed as a Plan Supplement and amended from time to time through the Effective Date. Westchester Health Staff means all of the former nurses, nurse practitioners, medical technicians, and other medical staff previously employed by St. Vincent's Westchester and its affiliated clinics and other facilities, as covered by the Westchester Tail Settlement Agreement.

to opt-in or opt-out and 28 physicians elected to participate in the Westchester Tail Fund, while the Westchester Health Staff were automatically included. Pursuant to the Westchester Tail Settlement Agreement, the Debtors total contribution to the Westchester Tail Fund is expected to be $150,000, which is dependent upon the total participation and a potential reassessment of the liability by the Debtors' actuaries. Each claim arising out of a single alleged incident of medical malpractice will have a claim limit of $250,000 notwithstanding the number of defendants. All Tail Claims will be subject to the Tail Claims Resolution Procedures and a Tail Bar Date that will be established and incorporated into by separate motion or by way of the Plan Supplement.

Upon the satisfaction of Tail Claims and expenses of one of the Tail Funds, remaining funds may be contributed to the other Tail Fund in the event of a shortfall. After the adjudication of all Tail Claims and the payment of all expenses of both Tail Funds, the participants will receive a *pro rata* refund from their particular Tail Fund.

VII. THE CHAPTER 11 PLAN

A. Overview

THE FOLLOWING SUMMARY HIGHLIGHTS CERTAIN OF THE SUBSTANTIVE PROVISIONS OF THE PLAN, AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE DEBTORS URGE ALL HOLDERS OF CLAIMS TO READ AND STUDY CAREFULLY THE PLAN, A COPY OF WHICH IS ANNEXED HERETO AS EXHIBIT A. TO THE EXTENT OF ANY CONFLICT BETWEEN THE DISCLOSURE STATEMENT AND THE PLAN, THE PROVISION OF THE PLAN (INCLUDING THE EXHIBITS THERETO) WILL GOVERN.

The Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan the Debtors have proposed. The Debtors reserve the right to modify the Plan consistent with section 1127 of the Bankruptcy Code and Rule 3019 of the Federal Rules of Bankruptcy Procedures ("Bankruptcy Rules").

The primary objectives of the Plan are to: (1) maximize the value of the ultimate recoveries to all creditor groups on a fair and equitable basis; (2) settle, compromise or otherwise dispose of certain Claims on terms that the Debtors believe are fair and reasonable and in the best interests of the Debtors' Estates and creditors; (3) provide an opportunity for the holders of Allowed General Unsecured Claims to obtain a recovery on account of their Claims; and (4) to continue to operate and/or liquidate the certain Assets in accordance with the Plan. The Plan also provides for, among other things: (1) the resolution of all Claims against each of the Debtors in the manner set forth below, and in the Plan; (2) rejection of all unexpired Executory Agreements to which any Debtor is a party that are not included on the Schedule of Assumed Contract or that have not been previously assumed, assumed and assigned, or rejected by the Debtors; (3) other future actions necessary to effectuate the terms of the Plan; and (4) wind down and/or transfer of the Debtors' remaining assets; and (5) the ultimate dissolution of the Debtors.

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a chapter 11 plan are that the plan: (1) is accepted by requisite holders of claims in impaired classes of the Debtors; (2) is in the "best interests" of each holder of a claim in each impaired class under the plan for the Debtors; and (3) complies with the applicable provisions of the Bankruptcy Code. In this instance only holders of Allowed Claims in Classes 3 and 4 are entitled to vote on the Plan. For further discussion of the Bankruptcy Code requirements, please see below at Section VIII(B)(4).

Section 1123 of the Bankruptcy Code provides that, except for Administrative Expense Claims and Priority Tax Claims, a chapter 11 plan must categorize claims against a debtor into individual classes. Although the Bankruptcy Code provides a debtor with significant flexibility in classifying claims, section 1122 of the Bankruptcy Code dictates that a chapter 11 plan may only place a claim into a class containing claims that are substantially similar.

The Plan creates four Classes of Claims. These Classes take into account the differing nature and priority of Claims against the Debtors. Administrative Expense Claims, Cash Settlement Claims, Compensation Claims, Statutory Fees, and Priority Tax Claims are not classified for purposes of voting and receiving distributions under the Plan (as is permitted by section 1123(a)(1) of the Bankruptcy Code), but are treated separately as unclassified Claims.

The Plan provides specific treatment for each Class of Claims. Only holders of Claims that are impaired under the Plan and holders of Claims that may receive distributions under the Plan are entitled to vote. Unless otherwise provided for in the Plan or the Confirmation Order, the treatment of any Claim under the Plan will be in full satisfaction settlement and release of, and in exchange for, such Claim.

The following discussion sets forth the classification and treatment of all Claims against the Debtors. It is qualified in its entirety by the terms of the Plan, which is annexed hereto as Exhibit A, and which you should be read carefully in considering whether to vote to accept or reject the Plan.

B. Unclassified Claims and Treatment (*Section 2 of the Plan*)

1. Administrative Expense Claims

An Administrative Expense Claim is defined in the Plan and means a right to payment against any Debtor or its Estate arising after the Petition Date and prior to the Effective Date constituting a cost or expense of administration of the Chapter 11 Cases that is entitled to priority under sections 503(b), 503(c), 507(b) or 1114(e)(2) of the Bankruptcy Code, including without limitation: (a) any actual and necessary costs and expenses of preserving the Estate(s); (b) any actual and necessary costs and expenses of operating any Debtor's businesses during the Chapter 11 Cases, including prior to the Effective Date of the Plan; and (c) any indebtedness or obligations incurred or assumed by the Debtor(s), as a debtor(s)-in-possession during the Chapter 11 Cases. The DIP Loan Claim, Compensation Claims, the Cash Settlement Claims and any Statutory Fees are not Administrative Expense Claims.

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, each holder of an Allowed Administrative Expense Claim (including the Cash Settlement Claims) as of the Effective Date will receive from the Debtors or the Liquidating Trust, as applicable, Cash in an amount equal to the 100% of the unpaid amount of such Allowed Administrative Expense Claim as soon as reasonably practicable after the later of (a) the Effective Date and (b) thirty (30) calendar days after the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim.

As the Debtors continue to operate certain Assets, the Debtors will continue to pay their Allowed Administrative Expense Claims in the ordinary course of their business. Administrative Expense Claims incurred after May 1, 2012 through the Effective Date will be subject to the Third Administrative Bar Date described above.

The Debtors estimate that the amount of accrued but unpaid Administrative Expense Claims as of the Effective Date will be in the range of approximately $2.5 million to $6 million (excluding professional fees).

2. Cash Settlement Claims

Cash Settlement Claims are the unclassified claims negotiated as part of the PBGC Settlement Agreement, the 1199 Settlement Agreement, the NYSNA Settlement Agreement, the DOL Settlement Agreement, and the MedMal Trusts Settlement Agreement. Except to the extent that a holder of a Cash Settlement Claim agreed to a different treatment, each holder will receive, in full satisfaction of such Claim, Cash in an amount equal to 100% of the unpaid Allowed amount of such Claim on the Effective Date or such other date as provided for in the applicable Creditor Settlement Agreements and in accordance with such Creditor Settlement Agreements.

The estimated aggregate distribution on the Cash Settlement Claims is $66 million.

3. Compensation Claims

Compensation Claims are administrative expense claims under sections 327, 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) of the Bankruptcy Code for compensation for services rendered reimbursement of expenses incurred through and including the Effective Date.

All entities seeking an award of a Compensation Claim by the Bankruptcy Court will file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is sixty (60) days after the Effective Date and will be paid in full satisfaction of such Claim, 100% of the amounts as are allowed by the Bankruptcy Court promptly after the date an order relating to any such Administrative Expense Claim is entered or upon such other terms as may be mutually agreed upon by a holder of a Compensation Claim and the Liquidating Trustee.

Objections to any final application covering Compensation Claims must be filed and served on the Liquidating Trustee, counsel for the Liquidating Trustee, and the requesting

party no later than ninety (90) days after the Effective Date (unless otherwise agreed by the requesting party).

The Responsible Officer and the Liquidating Trustee are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date in the ordinary course of business and without the need of Bankruptcy Court approval or a holdback.

Ordinary Course Professionals must submit a Final OCP Statement (per the Ordinary Course Professionals Order) no later than thirty (30) days after the Effective Date and may continue to receive payment of compensation and reimbursement of expenses for services rendered to the Debtors without further Bankruptcy Court review or approval (except as provided for in the Ordinary Course Professionals Order).

4. Statutory Fees

All fees required to be paid by 28 U.S.C. § 1930(a)(6) and any interest thereon ("U.S. Trustee Fees") will accrue and be timely paid by the Liquidating Trustee until the case is closed, dismissed or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the Effective Date of this Plan will be paid by or when due following the Effective Date.

5. Priority Tax Claims

Priority Tax Claims are a Claim of a governmental unit of the kind entitled to priority in payment as set forth in sections 502(i) and 507(a)(8) of the Bankruptcy Code. Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full satisfaction of such Claim, payment in Cash of the Allowed Amount of such Claim, at the option of the Debtors, either (a) the full amount of such Claim on the later of (i) thirty (30) days after the Effective Date and (ii) thirty (30) days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim or (b) periodic payments having a value, as of the Effective Date, equal to the amount of such Allowed Priority Tax Claim, paid over a period not exceeding five (5) years after the Petition Date (and not exceeding the date of the closing of these Chapter 11 Cases), with interest at a rate equal to the Federal Judgment Rate as of the Effective Date, payable monthly. The Debtors estimate that the amount of accrued but unpaid Priority Tax Claims on the Effective Date will be approximately $830,000.

The Liquidating Trustee is authorized to pay, in the ordinary course of business, all Allowed Priority Tax Claims as such claim becomes due and payable after the Effective Date.

6. DIP Loan Claims

The DIP Loan Claims of the DIP Agent and the DIP Lenders shall constitute an administrative expense and an Allowed Claim under Section 503(b) of the Bankruptcy Code. Except to the extent that the DIP Agent and the DIP Lenders agree to a different treatment, on the Effective Date, the DIP Agent and the DIP Lenders shall receive, in full satisfaction of the DIP Loan Claims (a) Cash equal to the then outstanding amount of the DIP Loan Claims,

including any obligation of the Debtors under the DIP Loan Documents to reimburse the DIP Agent or the DIP Lenders for any costs, fees, expenses, and the like (collectively, the "Costs and Expenses") incurred up to the Effective Date, and (b) a Cash deposit (the "Deposit") in the amount of $35,000 to cover Costs and Expenses anticipated to be incurred by the DIP Agent and the DIP Lenders in connection with the DIP Loan Documents (and the other costs and expenses provided in the last sentence of this section), including in connection with the release of collateral securing the DIP Loan Claims; provided, however, that if the Deposit is insufficient to cover the amount of the Costs and Expenses, the Post-Effective Date SVCMC shall pay the DIP Agent and the DIP Lenders the amount of such shortfall upon a demand therefor accompanied by evidence of the incurrence of the Costs and Expenses; provided, further, however, that if the Deposit exceeds the ultimate amount of the Costs and Expenses actually incurred by the DIP Agent and the DIP Lenders, the excess shall be promptly remitted to the Liquidating Trust.

Any remaining amount of the Deposit shall be remitted to the Liquidating Trust within ninety (90) days of the Effective Date. With respect to any professional fees included as part of the Costs and Expenses, such professional fees may be paid by the DIP Agent and the DIP Lenders without advance notice to any other party; provided, however, that the DIP Agent and the DIP Lenders shall provide evidence of the incurrence of such professional fees to the Responsible Officer and the U.S. Trustee in the same manner as had been provided throughout these Chapter 11 Cases. To the extent that any provisions of the DIP Loan Documents are of a type that survive repayment of the subject indebtedness (*e.g.*, confidentiality provisions, a duty to release collateral, indemnity provisions), such provisions shall remain in effect notwithstanding repayment of the DIP Loan Claims.

The Debtors estimate that there will be a minimal balance owed under the DIP Facility at the Effective Date.

For purposes of the Plan, the DIP Agent shall be entitled to act as agent for the holders of the Prepetition Obligations (as defined in the Final DIP Order). To the extent that lien releases or other documents with respect to the "Prepetition Liens" (as defined in the Final DIP Order) are required to be filed or recorded, the DIP Agent shall be entitled to do so on behalf of the holders of the Prepetition Obligations and collect any costs, fees and expenses related thereto from the Deposit.

C. Classification of Claims and Treatment (*Sections 3 and 4 of the Plan*)

All Claims against the Debtors, except the unclassified claims in Section 2 of the Plan, are placed in the Classes set forth below. A Claim is placed in a particular Class only to the extent that the Claim falls within the description of the Class and is classified in other Classes to the that any portion of the Claim falls within the description of such other Classes. A Claim is also placed in a particular class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled before the Effective Date.

1. Class 1 – Priority Non-Tax Claims

(a) Description

The Claims in Class 1 are the types of Claims identified in sections 507(a)(4), (5), (6), (7), or (9) of the Bankruptcy Code other than (a) Administrative Expense Claims and (b) Priority Tax Claims.

(b) Treatment

Except to the extent such holder agrees to less favorable treatment, each holder of an Allowed Claim in Class 1 shall receive, in full satisfaction of such Allowed Claim, Cash equal to 100% of the unpaid amount of such Allowed Claim, on or as soon as reasonably practicable after the Effective Date. To the extent that the Manhattan Physician Staff, the Manhattan House Staff, or the Westchester Covered Staff elected to have all or a portion of the proceeds of their Priority Non-Tax Claims contributed to the Manhattan Tail Fund or the Westchester Tail Fund (as applicable) in accordance with the Tail Settlement Agreements, such proceeds of their Priority Non-Tax Claims will be contributed by the Liquidating Trustee to the Manhattan Tail Fund and Westchester Tail Fund (as applicable).

Holders of Claims in Class 1 are not Impaired, are conclusively deemed to have accepted the Plan under section 1126(f) of the Bankruptcy Code, and are therefore not entitled to vote to accept or reject the Plan.

The Debtors estimate that on the Effective Date, the Allowed amount of Class 1 Claims will be approximately $19.5 million in aggregate.

2. Class 2 – Secured Claims

(a) Description

A Secured Claim is defined as under the Plan as a Claim that is (a) secured by a lien on any of the Assets, which lien is valid, perfected, and enforceable under applicable law or by reason of a Final Order, to the extent of the value of the claimant's interest in such Asset or (b) entitled to setoff under section 553 of the Bankruptcy Code, to the extent the amount subject to setoff, as determined pursuant to section 506(a) of the Bankruptcy Code. Secured Claims do not include the DIP Claims.

(b) Treatment

Except to the extent such holder agrees to less favorable treatment, each holder of an Allowed Secured Claim in Class 2 shall receive, in full satisfaction of the unpaid amount of such Allowed Secured Claim, at the election of the Debtors or the Liquidating Trustee with the Consent of the Committee or the Post-Effective Date Committee (as applicable), the Collateral securing such Allowed Secured Claim, the value of such Collateral or the proceeds (if any) from the sale of such Collateral (whether Cash or otherwise) after the payment of (or the reservation for) the actual and necessary costs and expenses of disposing of and preserving such Collateral as may be agreed by the parties or determined by the Bankruptcy Court. To the extent that either

the value or the net proceeds (as applicable) of the Collateral attributable to the specific Secured Claim is less than the total Allowed amount of such Claim, the undersecured portion shall be treated as an Allowed Unsecured Claim in Class 3.

Holders of Claims in Class 2 are not Impaired, are conclusively deemed to have accepted the Plan under section 1126(f) of the Bankruptcy Code, and are therefore not entitled to vote to accept or reject the Plan. The Debtors estimate that on the Effective Date, the Allowed amount of Secured Claims in Class 2 will be *de minimis*.

3. Class 3 – General Unsecured Claims ("GUC Claims")

(a) Description

The Claims in Class 3 are any general unsecured Claim that (a) is not (i) a Multi-Employer Pension Fund Subordinated Unsecured Claim; (ii) an Unclassified Claim; (iii) a Claim in Class 1 or Class 2, or (iv) a SV1 MedMal Claim or (b) is otherwise determined to be a general unsecured claim pursuant to an order of the Bankruptcy Court or an agreement between the Debtors and the Claim holder. GUC Claims include, without limitation: (i) Claims of employees of the Debtors that are not Priority-Non Tax Claims, (ii) Allowed Tort Claims; and (iii) claims arising as a result of the rejection of Executory Agreements by any of the Debtors. For avoidance of doubt, the SV1 Claims GUC Claims.

(b) Treatment

Except to the extent such holder agrees to less favorable treatment, each holder of an Allowed Claim in Class 3 will receive, in full satisfaction of the unpaid amount of such Allowed Claim, a Pro Rata Share of the proceeds in the Unsecured Claims Fund. Pursuant to the Intercompany Settlement, all GUC Claims against each of the Debtors will be aggregated. For purposes of classification, treatment and distribution under the Plan, all Guaranty Claims in each case representing a GUC Claim, will be treated as a single obligation of all of the Debtors.

Holders of Claims in Class 3 are Impaired by the Plan and are entitled to vote to accept or reject the Plan.

The Debtors estimate that on the Effective Date, the Allowed amount of Claims in Class 3 will be approximately $1.05 billion in aggregate.

4. Class 4 – Multi-Employer Pension Fund Subordinated Unsecured Claims

(a) Description

The Claims in Class 4 are fifty percent (50%) of the Allowed withdrawal liability claims asserted by the Multi-Employer Pension Funds against the Debtors. The Multi-Employer Pension Funds are the 1199SEIU Health Care Employees Pension Fund, the New York State Nurses Association Pension Plan and the Local 803 Pension Fund.

(b) Treatment

Except to the extent such holder agrees to less favorable treatment, once all of the Allowed Claims in Class 3 are paid in full, each holder of an Allowed Claim in Class 4 will receive, in full satisfaction of its Allowed Claim, a Pro Rata Share of the proceeds in the Unsecured Claims Fund. Holders of Claims in Class 4 are Impaired by the Plan and are entitled to vote to accept or reject the Plan.

On the Effective Date, the Debtors estimate that the Allowed amount of Claims in Class 4 will be approximately $63.8 million in aggregate.

D. Post-Effective Date Governance (*Section 5 of the Plan*)

In conjunction with entry into the Settlement Agreements, the Debtors, the Committee, the PBGC, 1199, and NYSNA negotiated the post-Effective Date organizational structure of SVCMC, including the establishment of a Liquidating Trust. The Post-Effective Date SVCMC and the Liquidating Trust, in their respective roles, will continue to operate the Debtors' Assets and administer the Estates as further discussed below.

1. Dissolution of Certain Debtors

On the Effective Date, all of the Debtors other than SVCMC will be dissolved, their interests and rights will be vested for all purposes in the Post-Effective Date SVCMC and all of the interests in such Debtors will be cancelled and terminated without further order of the Bankruptcy Court.

2. Post-Effective Date SVCMC

(a) Continued Existence of SVCMC After the Effective Date

On and after the Effective Date, SVCMC shall continue in existence as Post-Effective Date SVCMC and will continue to retain its Not-for-Profit Status to the same extent as such statuses existed immediately prior to the Petition Date. No party shall take any action to interfere with, alter, terminate, or otherwise adversely affect the Not-for-Profit Status of the Post-Effective Date SVCMC.

(b) Membership of Post-Effective Date SVCMC

On the Effective Date, the Post-Effective Date Members will be appointed and will serve as the member(s) of the Post-Effective Date SVCMC. The Post-Effective Date Members will be Sr. Jane Iannucelli and Sr. Carol Barnes as Sisters of Charity of St. Vincent de Paul of New York, in their individual capacities.

(c) Board of Directors of the Post-Effective Date SVCMC

As of the Effective Date, all directors of SVCMC shall be deemed discharged of, and from all further authority, duties, responsibilities and obligations related to, arising from and in connection with or related to their services through and including the Effective Date.

On the Effective Date, three individuals, mutually acceptable to the Post-Effective Date Members and the Committee, will serve as the Post-Effective Date Board of Directors. The three individuals will be disclosed in the Plan Supplement. As more fully set forth in the Plan, each member of the Post-Effective Date Board of Directors (i) may not resign without thirty (30) days' written notice, (ii) may be removed for cause by joint finding by the Post-Effective Date Members and the Post-Effective Date Committee; and (iii) may be replaced if the director resigns, is removed for cause or is incapacitated or unavailable for a period of thirty (30) consecutive days.

The Post-Effective Date Board of Directors, with the Consent of the Post-Effective Date Committee, will be tasked with appointing and overseeing the Responsible Officer consistent with the Plan and the by-laws of the Post-Effective Date SVCMC as then in effect.

(d) Responsible Officer, Duties and Responsibilities of Responsible Officer and Post-Effective Date SVCMC

The Post-Effective Date Board of Directors shall select the Responsible Officer, acceptable to the Committee in its sole and absolute discretion and consistent with the Plan and the by-laws of the Post-Effective Date SVCMC. The Responsible Officer shall be deemed appointed as of the Effective Date without further approval by the Bankruptcy Court. The Responsible Officer (i) may resign upon sixty (60) days' written notice; and (ii) may be removed with or without cause by the Post-Effective Date Board, at the request of the Post-Effective Date Committee, beginning on the earlier of twelve (12) months after the Effective Date or the completion of the Transfer of the Post-Effective Date SVCMC's interest in the USFHP Program and the QIL Entities. The identity of the initial Responsible Officer shall be set forth in the Plan Supplement. Any removal other than for cause, requires at least fifteen (15) days' prior written notice of such removal.

The Post-Effective Date SVCMC, with the oversight of the Responsible Officer, will be responsible for the following limited purposes: (i) to retain the designated provider status under the USFHP Program and the owner of the Operating Assets, including but not limited to the USFHP Contract; (ii) to oversee and manage of the Operation of the Operating Assets, including the management and administration of all obligations and claims associated with the USFHP Program; (iii) the transfer or other disposition of the USFHP Assets; (iv) to retain the equity in and to continue the Operation, oversight and management of the QIL Entities including resolution of all claims asserted against insurance policies provided by the QIL Entities; (v) to report to the Post-Effective Date Committee regularly and provide information and reports reasonably requested by the Post-Effective Date Committee or the Liquidating Trustee; (vi) to collect or otherwise liquidate all amounts owing under the Provider Agreements until payments due have been received by the Post-Effective Date SVCMC and transferred to the Liquidating Trust as set forth in the Plan; and (vii) to take any actions in furtherance of the implementation of the Plan. However, actions that are outside of the ordinary course of the business of the Post-Effective Date SVCMC, including without limitation (a) any Transfer by the Post-Effective Date SVCMC of the USFHP Contract and (b) the payment of the Responsible Officer inconsistent with the Operating Budget, will require the prior Consent of the Post-Effective Date Committee. To fulfill their responsibilities, Post-Effective Date SVCMC and the Responsible

Officer may employ such counsel, advisors or other professionals as selected by the Responsible Officer and as more fully set forth in the Plan. The Post-Effective Date SVCMC will continue to carry its directors and officers' liability insurance coverage under which the Responsible Officer will be insured.

The Operating Assets are, among other things: (a) the USFHP Assets; (b) all assets or after-acquired property used or maintained by SVCMC (or the Post-Effective Date SVCMC) for the continued operation of the USFHP Program, including SVCMC's interest in the USFHP Contract and any other contract or lease used in connection with the USFHP Program; (b) the Provider Agreements; (c) any equity or ownership interest in the QIL Entities and related rights and assets and (d) Causes of Action relating to the Operating Assets (other than Avoidance Actions).

The Responsible Officer shall have, and be authorized to use, the rights and powers of a debtor in possession under section 1107 of the Bankruptcy Code and those necessary to effectuate the terms of the Plan without further application to the Bankruptcy Court, any other court or governmental body (other than, as may be applicable, the U.S. Government with respect to the USFHP Program) and/or the need to provide notice under any laws including the Not-for-Profit Laws. The Post-Effective Date SVCMC may continue the Operation of USFHP Program and, with the prior Consent of the Post-Effective Date Committee, Transfer outside of the ordinary course of business, any Operating Assets without further necessity of approvals, including from the Bankruptcy Court or under any applicable state or other law, including the Not-for-Profit Laws.

(e) Dissolution of the Post-Effective Date SVCMC

The Post-Effective Date SVCMC will be deemed dissolved, without further order of the Bankruptcy Court and without the necessity for any approval or notice under any applicable state or other law, including under the Not-for-Profit Laws, after: (i) the expiration, Transfer and/or novation of the Post-Effective Date SVCMC's interest in the USFHP Program; (ii) the Transfer or other disposition of the BSC Assets; and (iii) the wind down or Transfer of the QIL Entities.

3. Liquidating Trust, Liquidating Trustee

On the Effective Date, and pursuant to the terms of the Liquidating Trust Agreement, the Liquidating Trust will be created with all of the Liquidating Trust Assets transferred to the Liquidating Trust. Nothing in the Plan, including the implementation of the Liquidating Trust or the actions of the Liquidating Trustee, shall alter, terminate or otherwise adversely affect the Not-for-Profit Status of the Post-Effective Date SVCMC. The sole purpose of the Liquidating Trust is to liquidate and distribute the Liquidating Trust Assets, in accordance with applicable Treasury Regulations.

The Liquidating Trustee shall be recommended by the Debtors and acceptable to the Committee and shall be deemed appointed on the Effective Date. The identity of the initial Liquidating Trustee shall be set forth in the Plan Supplement. The Liquidating Trustee (i) may resign upon sixty (60) days' written notice and (ii) may be removed with or without cause after

nine (9) months following the Effective Date by vote of the Post-Effective Date Committee, which shall provide fifteen (15) days' prior written notice of such removal.

As more fully set forth in the Liquidating Trust Agreement, the Liquidating Trustee will be responsible for, among other things: (i) administering the Liquidating Trust, (ii) maintaining the Liquidating Trust Reserves, (iii) liquidating the Liquidating Trust Assets and (iv) making distributions under the Plan. While the Liquidating Trustee shall not have authority to act with respect to the Operating Assets nor taken any action on behalf of the Post-Effective Date SVCMC, the Liquidating Trustee may coordinate with the Responsible Officer. The Liquidating Trustee may also serve as the Tail Fund Administration as that term is defined in the Tail Settlement Agreements. To fulfill its responsibilities, the Liquidating Trust may employ such counsel (which may be the same counsel employed by either the Post-Effective Date Committee or the Post-Effective Date SVCMC), advisors or other professionals as selected by the Liquidating Trustee and as more fully set forth in the Plan.

The Liquidating Trust Assets are, among other things: (a) all Remaining Cash (other than Cash in the Operating Account); (b) the Sale Proceeds (including, without limitation, the Westchester Promissory Note); (c) the medical resident refund claims relating to the Federal Insurance Contributions Act taxes, but not the portion that relates to refunds payable to the medical residents; (d) Causes of Action (other than those relating to Operating Assets and those expressly released in the Sun Life Settlement Agreement); (e) accounts receivable or sale of medical products in the ordinary course of business of the Debtors and their businesses prior to the closing date of the respective sales of such businesses; including all rights, claims, contracts and agreements, including "excluded assets"; (f) the Net USFHP Funds and the Net Provider Payments, transferred no less than quarterly from the Post-Effective Date SVCMC; (g) the Net QIL Funds; (h) any proceeds of the foregoing, and (i) all files, books and records required to be maintained by the Post-Effective Date SVCMC for the administration of Liquidating Assets.

The Liquidating Trustee shall have, and be authorized to use, the rights and powers of a debtor in possession under section 1107 of the Bankruptcy Code and those necessary to effectuate the terms of the Plan without further application to the Bankruptcy Court, any other court or governmental body and/or the need to provide notice under any laws including the Not-for-Profit Laws. With the prior Consent of the Post-Effective Date Committee, the Liquidating Trust may effectuate the Transfer of Liquidating Trust Assets without further necessity of approvals, including from the Bankruptcy Court or under any applicable state or other law, including the Not-for-Profit Laws.

4. *Post-Effective Date Committee*

(a) Dissolution of the Committee

On the Effective Date, the Committee shall be dissolved (except with respect to any then-pending litigation or contested matter to which the Committee is a party, any appeals filed regarding confirmation of the Plan, the resolution of any substantial contribution applications, and the resolution of applications for Compensation Claims) and the members, employees, agents, advisors, affiliates, and representatives (including, without limitation, attorneys, financial advisors, and other professionals) of each thereof shall be released from and

discharged of and from all further authority, duties, responsibilities, and obligations related to, arising from, and in connection with or related to the Chapter 11 Cases.

The Committee may make an application for Compensation Claims and members of the Committee may make requests for compensation and reimbursement of expenses pursuant to section 503(b) for substantial contribution in any of the Chapter 11 Cases. The Liquidating Trustee shall continue to compensate the Committee's professionals in connection with any of the foregoing post-Effective Date activities out of Liquidating Trust Assets.

(b) Formation of Post-Effective Date Committee

Simultaneously, on the Effective Date, the Committee shall form a Post-Effective Date Committee that shall consist of three members designated by the Committee, as such are identified in the Plan Supplement. Any member of the Post-Effective Date Committee may resign upon thirty (30) days' written notice to the Post-Effective Date Committee with copy to the Post-Effective Date Members or in accordance with the by-laws of the Post-Effective Date Committee. Replacement of a member of the Post-Effective Date Committee shall be by the remaining members in consultation with the Post-Effective Date SVCMC. If there is a dispute as to the replacement member if there are fewer than two (2) members, then the parties shall request that the Bankruptcy Court resolve such dispute and/or appoint the replacement member(s).

(c) Duties of the Post-Effective Date Committee

On the Effective Date, the Post-Effective Date Committee shall have the following duties: (i) monitoring the actions of the Liquidating Trustee and the Post-Effective Date SVCMC; (ii) reviewing and approving the Operating and Liquidating Budgets; (iii) overseeing the Liquidating Trust and the liquidation of the Liquidating Trust Assets.

The Post-Effective Date Committee will be authorized to retain counsel (which may be the same counsel employed by the Liquidating Trust) to advise the Post-Effective Date Committee on matters related to their duties under this Plan, which may be the same counsel employed by the Liquidating Trust. To the extent that the Liquidating Trustee's counsel has a conflict of interest in implementing a portion of the Plan or the Plan Administrator and the Post-Effective Date Committee agree, the Post-Effective Date Committee's counsel shall have standing and ability to act as the Plan Administrator's counsel for such specific matters.

(d) Termination of the Post-Effective Date Committee

The Post-Effective Date Committee shall continue in existence until either the Post-Effective Date Committee deems it appropriate by a majority vote to dissolve itself or all members resign. Notwithstanding the foregoing, the Post-Effective Date Committee shall automatically dissolve upon the closing of the Chapter 11 Cases.

E. Means of Implementation of the Plan (*Section 6 of the Plan*)

1. Settlement Agreements

(a) Creditor Settlement Agreements

As more fully set forth in the Creditor Settlement Agreements and as described above in Section VI, pursuant to Bankruptcy Rule 9019 and section 1123(b)(3) of the Bankruptcy Code, but subject to the occurrence of the Effective Date of the Plan, the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of each of the Creditor Settlement Agreements and the finding that (i) entry into each of the Creditor Settlement Agreements is in the best interests of the Debtors, their Estates, and their Claim holders, (ii) each of the Creditor Settlement Agreements meets all the standards set forth in Bankruptcy Rule 9019 and section 1123(b)(3) of the Bankruptcy Code. Notwithstanding anything contrary in the Disclosure Statement and the Plan, all distributions contemplated by each Creditor Settlement Agreement will be made only in accordance with the terms of the respective Creditor Settlement Agreement.

(b) Intercompany Settlement

As more fully described above in Section VI(A), pursuant to Bankruptcy Rule 9019 and section 1123(b))(3), but subject to the occurrence of the Effective Date of the Plan, the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Intercompany Settlement and the finding that (i) entering into the Intercompany Settlement is in the best interests of the Debtors, their Estates, and their Claim holders; (ii) the Intercompany Settlement is fair, equitable and reasonable, and (iii) the Intercompany Settlement meets all the standards set forth in Bankruptcy Rule 9019 and section 1123(b)(3) of the Bankruptcy Code. Once approved by the Bankruptcy Court, the Intercompany Settlement resolves the potential disputes among the Debtors' Estates and with the Committee concerning the allocation of Sale Proceeds among the Sale Proceeds among the Debtors' Estates and the validity, amount and treatment of Intercompany Claims. The Intercompany Settlement facilitates the payment of all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Priority Non-Tax Claims, and other Allowed Claims required to be paid under the Plan and otherwise allows for the implementation of the Plan.

2. Voting of Claims

Each holder of an Allowed Claim in Classes 3 and 4 will be entitled to vote to accept or reject the Plan as provided in for in the order approving the Disclosure Statement.

3. Confirmation Without Acceptance of All Impaired Classes ("Cram Down")

The Bankruptcy Code permits the Bankruptcy Court to confirm a chapter 11 plan over the dissent of any class of claims as long as the standards of section 1129(b) are met. This power to confirm a plan over dissenting classes – often referred to as "cram down" – is an important part of the confirmation process. It assures to no single group (or multiple groups) of

claims can block the confirmation of a chapter 11 plan that otherwise meets the requirements of the Bankruptcy Code and is in the interests of the other constituents in the case.

If less than all Impaired Classes accept the Plan, but at least one Class of Claims impaired under the Plan has accepted the Plan (and which Class's acceptance is determined without inclusion of Claims of Insiders), the Debtors may seek to have the Court confirm the Plan under section 1129(b) of the Bankruptcy Code. The Debtors request confirmation of the Plan under section 1129(b) with respect to any impaired Class that has not accepted or is deemed not have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

Additionally, the Debtors reserve the right to delay seeking confirmation of the Plan as to any Debtor(s) and proceed with confirmation of the Plan as to other Debtor(s) in order to continue to avail themselves of the protection of the Chapter 11 Cases in the context of a non-consensual Plan for any of the Debtors.

4. No Further Court Authorization

Except as provided in the Plan or Confirmation Order, the Liquidating Trustee will continue the orderly administration of the Liquidating Trust Assets and otherwise implement the provisions of the Plan, and the Responsible Officer will continue to Operate the USFHP Program in accordance with the Plan, and, in connection with the foregoing, may Transfer the Liquidating Trust Assets and Operating Assets, respectively, in accordance with the Liquidating Budget and the Operating Budget, respectively, in each case without necessity of any further order of the Bankruptcy Court and/or state court or other governmental body, including under the Not-for-Profit Laws. For the avoidance of doubt, the Responsible Officer will be authorized to Transfer the BSC Assets, in accordance with any agreement relating to the BSC Assets and the USFHP Program or with the approval of the Post-Effective Date Committee not be unreasonably withheld or delayed.

5. Operating Accounts for the Post-Effective Date SVCMC

On the Effective Date, Operating Accounts for the Post-Effective Date SVCMC will be established and funded in accordance with the Operating Budget. The Responsible Officer will be authorized to use the funds in these accounts to preserve, administer and continue the Operations of the Operating Assets, including paying all costs and expenses associated therewith in accordance with the Operating Budget. After the Effective Date, all Cash or other proceeds generated by the Operating Assets and required to fund the Operating Accounts and/or operate the Operating Assets will not be included within the definition of the Remaining Cash in the Plan.

6. Transfer of Certain Funds Into the Liquidating Trust

The Responsible Officer will transfer the available Net USFHP Proceeds, Net QIL Proceeds and Net Provider Payments to the Liquidating Trust as soon as practicable but no less frequently than on a quarterly basis with the first such transfer occurring as soon as practicable after the Effective Date.

7. Funding For the Plan

The Plan will be funded by the proceeds of the Liquidating Trust Assets. After the payment or reservation for all Allowed Unclassified Claims; all Allowed Claims in Classes 1 and 2, Liquidating Trust Reserves, the Operating Accounts (in accordance with the Operating Budget), and the Tail Funds, all Remaining Cash shall be used to fund the Unsecured Claims Fund.

8. Liquidating Trust Reserves

The Liquidating Trustee will have the authority to establish and maintain the following reserves:

(a) Trust Administration Account

The Liquidating Trustee will have the authority, subject to the Liquidating Trust Agreement and the Liquidating Budget, to establish and maintain accounts and utilize the funds in these accounts to pay any and all reasonable costs and expenses incurred in implementing the terms of the Plan, as set forth in the Liquidating Trust Budget.

(b) Disputed Claims Reserves

On the Effective Date, the Liquidating Trustee will set aside Cash, sufficient in the aggregate to fund the Disputed Claims Reserves on account of the Disputed Unclassified Claims and the Disputed Claims in Class 1. Once such Disputed Claims are resolved and become Allowed, Cash in the Disputed Claims Reserves shall be made available for distribution to the holders of such newly Allowed Claims in accordance with the Plan.

If all Unclassified Claims and Claims in Class 1 are either Allowed and satisfied or disallowed, any remaining funds in the Disputed Claims Reserves shall be used to first fund the Trust Administration Reserves (if necessary) and the remainder shall be deposited into Unsecured Claims Fund.

The Liquidating Trustee may fund the Disputed Claims Reserve based upon the face amount of the Disputed Claim Holder's Proof of Claim (or if no Proof of Claim filed, then the amount set forth in the Debtors' Schedules for the Disputed Claim) or request that the Bankruptcy Court estimate the amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, in which event the estimated amount will be deemed the amount of the Disputed Claim for purposes of funding the Disputed Claims Reserve.

9. Unsecured Claims Fund

On the Effective Date or as soon as practicable thereafter, the Liquidating Trustee will fund the Unsecured Claims Fund using all Remaining Cash. The proceeds of the Unsecured Claims Fund shall be used to (i) make distributions on account of Allowed Unsecured Claims in an amount of their Pro Rata Share, and (ii) reserve for Disputed Unsecured Claims until such Claims are reconciled and either Allowed or Disallowed. As Disputed Unsecured Claims are resolved and become Allowed, Cash in the Unsecured Claims Fund will be made available for

distribution to the holders of such newly Allowed Unsecured Claims in an amount of their Pro Rata Share in accordance with the Plan.

With respect to the amount to fund into the Unsecured Claims Fund, the Liquidating Trust may either (i) reserve on account of Disputed GUC Claims an amount necessary to satisfy such claims once they are Allowed, which will be based upon the estimated distribution percentage for all Allowed GUC Claims (using either the face of the Proofs of Claims, or if no Proof of Claim was required to be filed, the amount reflected in the Schedules) or (ii) request that the Bankruptcy Court estimate the amount to be reserved on account of any Disputed GUC Claim.

10. Tail Funds

(a) Manhattan Tail Fund

The Manhattan Tail Settlement Amendment will be deemed approved as of the Effective Date on the terms and conditions set forth therein. On the Effective Date or as soon as practicable thereafter, to implement the Bankruptcy Court approved settlement embodied in the Manhattan Tail Settlement Agreement, the Plan Administrator will establish the Manhattan Tail Fund in accordance with the terms of such agreement. The Manhattan Physician Staff and the Manhattan House Staff may use proceeds of their Priority Non-Tax Claim held by them to contribute to the Manhattan Tail Fund. Any excess monies in the Manhattan Tail Fund (after payment of Manhattan Tail Claims and all expenses related to the administration of the Manhattan Tail Fund) will be used to pay any outstanding Westchester Tail Claims, to the extent there is a shortfall in the Westchester Tail Fund to pay such obligations. The fee and expenses of the Liquidating Trustee's professionals incurred to administer the Manhattan Tail Fund or the resolution of Manhattan Tail Claims will be satisfied out of the Manhattan Tail Fund in accordance with the Manhattan Tail Settlement Agreement. Pursuant to the Manhattan Tail Settlement Agreement, counsel to the Movants may recover reasonable legal fees and costs from the Manhattan Tail Fund in connection with the Tail Coverage Motion and the Manhattan Tail Settlement Agreement up to a cap of $100,000 by submitting an appropriate application with the Bankruptcy Court and upon entry of an order approving such application. If there is no shortfall in the Westchester Tail Fund, or after the shortfall is satisfied, any excess monies from the Manhattan Tail Fund shall be distributed to the Liquidating Trust and the participating Manhattan Physician Staff and Manhattan House Staff on a pro rata basis based on their respective contributions.

(b) Westchester Tail Fund

The Westchester Tail Settlement Amendment will be deemed approved on the Effective Date on the terms and conditions set forth therein. On the Effective Date or as soon as practicable thereafter, to implement the Bankruptcy Court approved settlement embodied in the Westchester Tail Settlement Agreement, the Plan Administrator shall establish the Westchester Tail Fund in accordance with the terms of such agreement. The Westchester Professional Staff may use proceeds of the Priority Non-Tax Claim held by them to contribute to the Westchester Tail Fund. Any excess monies in the Westchester Tail Fund (after payment of Westchester Tail Claims and all expenses related to the administration of the Westchester Tail Fund) will be used

to pay any outstanding Manhattan Tail Claims, to the extent there is a shortfall in the Manhattan Tail Fund to pay such obligations. The fee and expenses of the Liquidating Trustee's professionals incurred to administer the Westchester Tail Fund or the resolution of Westchester Tail Claims will be satisfied out of the Westchester Tail Fund in accordance with the Westchester Tail Settlement Agreement. Pursuant to the Westchester Tail Settlement Agreement, counsel to the Westchester Covered Staff may recover reasonable legal fees and costs from the Manhattan Tail Fund in connection with the Westchester Tail Settlement Agreement up to a cap of $20,000 by submitting an appropriate application with the Bankruptcy Court and upon entry of an order approving such application. If there is no shortfall in the Manhattan Tail Fund, or after the shortfall is satisfied, any excess monies from the Westchester Tail Fund shall be distributed to the Liquidating Trust and the participating Westchester Physician Staff on a pro rata basis based on their respective contributions.

11. Destruction and Abandonment of Books and Records

Subject to the terms of the Records Retention Order with respect to the records covered thereby, on or after the Effective Date, pursuant to section 554(a) of the Bankruptcy Code, the Liquidating Trustee and Responsible Officer (as applicable) will be authorized, from time to time, without further application to the Bankruptcy Court or notice to any party, to abandon or otherwise destroy documents and records (whether in electronic or paper format) that he or she determines, in his or her reasonable business judgment, are no longer necessary to the administration of either the Chapter 11 Cases or the Plan, subject to the terms of the MedMal Trusts Settlement Agreement, notwithstanding any federal, state or local law or requirement requiring the retention of the applicable documents or records. However, the Liquidating Trustee and Responsible Officer (as applicable) will be authorized, from time to time, to abandon documents and records (whether in electronic or paper format) to the MedMal Trusts Monitor in furtherance of the resolutions of the SV1 MedMal Claims in accordance with the provisions of the MedMal Trusts Settlement Agreement.

12. Preservation of Insurance

Nothing in the Plan will diminish, impair or otherwise affect distributions from the proceeds or the enforceability of any insurance policies that may cover Claims against the Debtors.

13. Mutuality Preserved

Unless specifically agreed to in writing by the Debtors, the Responsible Officer or the Liquidating Trustee, as applicable, nothing in the Plan will constitute a waiver of the mutuality requirement for setoff under section 553 of the Bankruptcy Code and each Debtor will be treated independently for mutuality and setoff purposes.

F. Distributions Under the Plan (*Section 7 of the Plan*)

1. Party Responsible for Making Distributions

The Liquidating Trustee will be charged with making distributions under the Plan with respect to all Allowed Claims other than Operating Asset Claims. The Responsible Officer will be charged with making distributions with respect to Operating Asset Claims.

2. Allowed Claims

(a) Timing of Distributions

(i) *Distributions on Account of All Claims Other than Unsecured Claims*

Unless otherwise provided in the Plan, all distributions on account of all Allowed Claims other than the Unsecured Claims will be made no later than thirty (30) days after the later of (i) the Effective Date, (ii) the date that the applicable Claim becomes an Allowed Claim; provided, however, that distributions on account of an Allowed Secured Claim that is determined to receive proceeds of the sale of Collateral shall be made within thirty (30) days after the date the Liquidating Trustee receives the proceeds from the sale of the Collateral securing such Allowed Secured Claims.

(ii) *Distributions on Account of Unsecured Claims*

With respect to the distributions on account of the Allowed Unsecured Claims, the initial distribution will not be made unless and until the Unsecured Claims Fund contains at least $5,000,000. Thereafter, the Liquidating Trustee and the Post-Effective Date Committee will reasonably agree upon the timing of subsequent distribution(s) on account of Allowed Unsecured Claims taking into account the available Cash in the Unsecured Claims Fund and the costs and expenses of each such distribution.

(b) Withholding of Distributions

All distributions under the Plan and all related agreements will be subject to any applicable withholding and reporting requirements. In addition to any other withholding authorized hereunder, in the case of a Cash distribution that is subject to withholding, the Liquidating Trustee may withhold from amounts distributable on account of Allowed Claims any and all amounts determined in the Liquidating Trustee's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. In the case of a non-Cash distribution that is subject to withholding, the distributing party may withhold an appropriate portion of such distributed property and sell such withheld property to generate Cash necessary to pay over the withholding tax. Holders of Allowed Claims will be required to, as a condition to receiving distributions, provide such information and take such steps as the Liquidating Trustee may reasonably require to enable it to comply with the withholding and reporting requirements and to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law. Notwithstanding the foregoing, each holder of an Allowed Claim that receives a distribution under the Plan will have the sole and exclusive

responsibility for any taxes imposed by any governmental unit, including income, withholding, and other taxes, on account of such distribution.

(c) Delivery of Distributions and Undeliverable Distributions

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim will be made at the address of such holder as set forth on either the Schedules or the books and records of the Debtors, unless the Liquidating Trustee has otherwise been notified by the holder in writing of a change of address, including, without limitation, by the filing of a Proof of Claim by such holder that contains an address for such holder different from the address reflected on either the Schedules or the books and records. In the event that any distribution to any holder is returned as undeliverable, no further distributions to such holder shall be made unless and until the Liquidating Trustee is notified of such holder's then-current address, at which time all missed distributions shall be made to such holder, without interest. At the option of the Liquidating Trustee, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements. Checks issued by the Liquidating Trustee in respect of Allowed Claims shall be null and void if not negotiated within ninety (90) days after the date of issuance thereof. All demands for undeliverable distributions (including requests for re-issuance of any voided check) shall be made to the Liquidating Trustee on or before thirty (30) days after the expiration of the ninety (90) day period after the date such undeliverable distribution was initially made or the check was originally issued, as applicable. Thereafter, the amount represented by such undeliverable distribution (including a voided check) shall be deemed forfeited, and any Claim in respect of such undeliverable distribution (including a voided check) shall be disallowed, discharged and forever barred from asserting such Claim against the Releasees. Any distributions that are forfeited or otherwise cancelled will be distributed to holders of Allowed Unsecured Claims (other than those whose distributions are deemed undeliverable hereunder) in accordance with the Plan. If either (i) all Allowed Unsecured Claims (other than those whose distributions are deemed undeliverable hereunder) have been paid in full or (ii) the amount of any final distribution to any holder of Allowed Unsecured Claims would be $25 or less, then no further distribution will be made and any surplus Cash will be donated and distributed to a nonpartisan charitable organization exempt from U.S. federal income tax under section 501(c)(3) of the IRC selected by the Liquidation Trustee.

(d) Setoffs

For purposes of determining the Allowed amount of a Claim on which distribution will be made, the Liquidating Trustee and the Responsible Officer may, but will not be required to, setoff against any respective Claim administered by them, any claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Liquidating Trustee or the Responsible Officer (as applicable) of any such claim(s).

(e) *De Minimis* Distributions

No distribution will be required to be made to a holder of an Allowed Claim if the amount of Cash to be distributed on any distribution date under the Plan on account of such

Claim is $25 or less. Any holder of an Allowed Claim on account of which the amount of Cash to be distributed is $25 or less will have its Claim for such distribution discharged and will be forever barred from asserting any such Claim against the Releasees. Any Cash not distributed pursuant to this Section will, in the Liquidating Trustee's discretion, be included in the Liquidating Trust Reserves and/or the Unsecured Claims Fund, free of any restrictions thereon, and will be distributed in accordance with the Plan.

(f) Allocation of Plan Distribution Between Principal and Interest

All distributions in respect of any Allowed Claim will be allocated first to the principal amount of such Allowed Claim, as determined for federal income tax purposes, and thereafter, to the remaining portion of such Allowed Claim (including the interest portion of the Allowed Claim), if any.

(g) Closing of Chapter 11 Cases

Once all the Disputed Claims have become Allowed Claims or have been disallowed by Final Order, and all distributions in respect of Allowed Claims have been made in accordance with this Plan, or at such earlier time as the Liquidating Trustee deems appropriate, the Liquidating Trustee (i) shall seek authority from the Bankruptcy Court to close the Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules and (ii) shall be authorized under the Plan to take any necessary corporate action with respect to the Debtors continued existence without the necessity for approvals or notices under any applicable state or other law, including under the Not-For-Profit Laws. Notwithstanding the foregoing, actions with respect to the Post-Effective Date SVCMC shall be taken by the Responsible Officer. The closing of these Chapter 11 Cases will not affect the Not-For-Profit Status of the Post-Effective Date SVCMC, to the extent it has not dissolved in accordance with the Plan. Except to the extent expressly modified by the Plan, the Creditor Settlement Agreements or the Confirmation Order, the provisions of (i) the SV1 Plan, (ii) the confirmation order implementing the SV1 Plan and (iii) the Amended MedMal Trusts Agreements will remain in full force and effect.

3. Disputed Claims

The provisions of Section 8.9 of the Plan described here will not apply to Tort Claims, SV1 MedMal Claims, Tail Claims and Operating Asset Claims.

(a) Objection Process

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided herein, the Liquidating Trustee, in consultation with the Post-Effective Date Committee, will have the exclusive right to file, prosecute, resolve and otherwise deal with objections to Claims (other than Operating Asset Claims). The Liquidating Trustee shall serve a copy of each Claim objection upon the holder of the Claim to which the objection is made. Claims objections with respect to all Claims shall be made as soon as reasonably practicable but in no event later than the Claims Objection Deadline. The Liquidating Trustee may extend the Claims Objection Deadline, without a notice and a hearing if such extension is filed with the Consent of the Post-Effective Date Committee.

Notwithstanding the foregoing, the Claims Objection Deadline shall not apply to filing of objections with respect to Tort Claims, SV1 MedMal Claims, Tail Claims and Operating Asset Claims and, accordingly, no such deadline will be imposed by this Plan with respect to such Claims.

(b) Disallowed Claims

The following claims will be automatically disallowed and expunged, without the need for filing any objections thereto, and shall not be entitled to any distributions under the Plan: (a) Claims for which no Proof of Claim was filed by the applicable Bar Date where such Claims were listed on the Schedules as disputed, contingent, or unliquidated and (b) Claims covered by section 502(d) of the Bankruptcy Code to the extent that the holder of such Claim has not paid the amount or turned over the property for which such holder is liable under section 522(i), 542, 543, or 553 of the Bankruptcy Code, in accordance with section 502(d) of the Bankruptcy Code.

(c) No Distribution Pending Allowance

Notwithstanding any other provision of this Plan, if any portion of a Claim is Disputed, no payment or distribution provided hereunder will be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

(d) Distributions After Allowance

Any Claim (or portion thereof) that is Disputed and then subsequently Allowed, shall be an Allowed Claim, not a Disputed Claim, in such amount and to the extent it is subsequently Allowed. Except as otherwise provided herein, if, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Liquidating Trustee will distribute to the holder of such Claim, from the applicable fund or reserve in accordance with the Plan, the amount such holder would have received had its Claim been Allowed on the Effective Date as determined by distributions actually made to other holders of Allowed Claims.

(e) Procedures for Treating and Resolving Disputed Claims (*Section 8 of the Plan*)

(i) *Settlement Procedures*

The Liquidating Trustee will have the authority to settle all Disputed Claims without further Bankruptcy Court order. The procedures for resolving any Disputed Claims shall be as follows (unless otherwise agreed to by the Liquidating Trustee):

At his or her option, in lieu of, or in addition to the filing of an objection, the Liquidating Trustee (in coordination with the Post-Effective Date Committee) may (A) request that the holder of a Disputed Claim provide documentation to evidence the validity and amount of such Disputed Claim, and/or (B) submit a written settlement proposal to the holder of a Disputed Claim as to the validity, amount, priority and payment of such claim.

The holder of a Disputed Claim may accept the Liquidating Trustee's settlement proposal at any time within fourteen (14) days of the Liquidating Trustee's mailing of such counter-proposal, or such additional time agreed to by the Liquidating Trustee (in coordination with the Post-Effective Date Committee). If the settlement is reached, the Disputed Claim will be deemed settled in accordance with the terms of the proposal, without the necessity for further order of the Bankruptcy Court and/or any state court. The Liquidating Trustee will file with the Bankruptcy Court a quarterly notice of Disputed Claims resolved during the prior quarter, starting with the first quarter after the Effective Date.

(ii) *Mediation*

If no settlement is reached pursuant to paragraph (a) above, the Liquidating Trustee (in coordination with the Post-Effective Date Committee), will have the option to require the holder of a Disputed Claim to participate in a non-binding mediation process. All mediation pursuant to this Section shall be conducted at the offices of the Liquidating Trustee, pursuant to the applicable Bankruptcy Rules. In the event that mediation is scheduled and the holder of the Disputed Claim does not participate in the mediation, the Disputed Claim shall be forever disallowed and expunged in its entirety.

(iii) *Resolution by the Bankruptcy Court*

If the Liquidating Trustee and the holder of a Disputed Claim are unable to reach settlement of the Disputed Claim pursuant to the procedures set forth above, such Disputed Claim will be submitted to the Bankruptcy Court for resolution. If it is determined that the Bankruptcy Court does not have jurisdiction to resolve any Disputed Claim, then the Disputed Claim will be submitted to the District Court for resolution.

(iv) *Use of Other Approved Settlement Procedures*

In lieu of the procedures set forth in this Section, the Liquidating Trustee may seek (in coordination with the Post-Effective Date Committee) to settle, compromise or otherwise resolve any Disputed Claim at any time in accordance with any order of the Bankruptcy Court approving a settlement procedure for Disputed Claims.

(f) Estimation of Disputed Claims

The Liquidating Trustee may at any time request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Liquidating Trustee previously objected to such Claim, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Liquidating Trustee, as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. On and after the Effective Date, Claims that have been estimated may

be compromised, settled, withdrawn, or otherwise resolved subsequently, without further order of the Bankruptcy Court.

4. Resolution of Operating Asset Claims

All Operating Asset Claims will be reconciled and resolved by the Responsible Officer in the ordinary course of business without any further Bankruptcy Court order. The Responsible Officer will have the right to seek approval (as necessary) of separate procedures for the reconciliation and resolution of Operating Asset Claims. Any deadlines set forth in the Plan relating to objections to Claims will not apply to the resolution (by objection or otherwise) of Operating Asset Claims.

5. Resolution of Tort Claims

All Tort Claims will be resolved and reconciled in accordance with the Tort Claims Resolution Procedures that will be filed with the Bankruptcy Court for approval prior to the Confirmation Date.

6. Resolution of Tail Claims

In furtherance of the implementation of the Tail Settlement Agreement, all Tail Claims shall be resolved in accordance with the Tail Claims Resolution Procedures will be filed with the Bankruptcy Court for approval prior to the Confirmation Date. To the extent that any provisions of the Plan conflict with the provisions of either Tail Settlement Agreement, the respective terms of such settlement agreements shall control.

7. Resolution of SV1 MedMal Claims

The MedMal Trusts Monitor will have, and retain, the sole and exclusive authority to reconcile and resolve the SV1 MedMal Claims in accordance with the SV1 Plan, the Amended MedMal Trust Agreements, and the MedMal Trusts Settlement Agreement. To the extent any SV1 MedMal Claims cannot be consensually resolved, the holders of such claims will be required to submit to such mediation and other similar dispute resolution procedures as are established (i) pursuant to the SV1 Plan, the Amended MedMal Trust Agreements and the MedMal Trusts Settlement Agreement or (ii) or pursuant to order of the Bankruptcy Court. To the extent that Post-Effective Date SVCMC has employees or representatives who are able to do so, Post-Effective Date SVCMC will coordinate and provide such assistance (as may be reasonably requested by the MedMal Trusts Monitor) for the settlement of SV1 MedMal Claims subject to the reimbursement pursuant to the MedMal Trusts Settlement Agreement. For convenience sake, the Tort Claim Resolution Procedures established by the Debtors pursuant to separate order of the Bankruptcy Court may be utilized by the MedMal Trusts Monitor in lieu of establishing separate procedures.

8. Cumulative Effect

All the objection, estimation, and resolution procedures set forth in Section 8 of Plan are intended to be cumulative (where possible) and not exclusive of one another.

G. Treatment of Executory Contracts and Unexpired Leases (*Section 9 of the Plan*)

1. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Agreements to which any Debtor is a party will be deemed rejected as of the Effective Date, except for those Executory Agreements that (a) have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court (including pursuant to the Rejection Procedures), (b) are the subject of a separate motion to assume, assume and assign, or reject filed under section 365 of the Bankruptcy Code on or before the Effective Date, or (c) are specifically designated as a contract or lease to be assumed on the Schedule of Assumed Contracts set forth in the Plan Supplement (with no timely objection to the proposed assumption filed). The Debtors reserve the right, with the Consent of the Committee not to be unreasonably withheld or delayed, to amend the Plan Supplement at any time on or before the Effective Date to modify the Schedule of Assumed Contracts to include or delete any Executory Agreement. If a party to an Executory Agreement listed in the Schedule of Assumed Contracts elects to object to the proposed assumption (including with respect to the cure amounts), it shall do so within thirty (30) days from the service of the Schedule of Assumed Contracts.

2. Cure of Defaults

Except to the extent that a different treatment has been agreed to by the non-Debtor party or parties to any executory contract or unexpired lease to be assumed pursuant to the Plan, the applicable Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, within fifteen (15) days after (a) the Effective Date or (b) the date of the filing of the Plan Supplement listing an Executory Agreement, file with the Bankruptcy Court and serve on counterparties to Executory Agreements to be assumed, a notice listing the cure amounts of all such Executory Agreements. The parties to such Executory Agreements to be assumed by the applicable Debtor shall have fifteen (15) days from service of the notice to object to the cure amounts listed by the applicable Debtor. If there are any objections to the cure amounts filed, the Bankruptcy Court will hold a hearing. The scheduled cure amount (if any) will be binding absent any timely objection to such scheduled amount. If there is a timely objection to the cure amounts filed, a hearing will be held before the Bankruptcy Court. Notwithstanding the foregoing, at all times through the date that is fifteen (15) days after the Bankruptcy Court enters a Final Order resolving and fixing the amount of a disputed cure amount, the Debtors, the Liquidating Trustee or the Responsible Officer (as applicable) may have the right to remove such Executory Contract from the Schedule of Assumed Contracts and such Executory Agreement will be deemed rejected.

3. Rejection Claims Bar Date

Claims arising out of the rejection of an Executory Agreement pursuant to the Plan 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 Debtors' notice of determination to reject an Executory Agreement. Any Claims not filed within such time period will be forever barred from assertion against the Debtors and/or their property and/or their Estates.

H. Retention of Bankruptcy Court Jurisdiction (*Section 12 of the Plan)*

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court will retain jurisdiction over all matters arising out of, or related to, these Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction to:

- hear and determine motions for the assumption or rejection of Executory Agreements and the allowance of Claims resulting therefrom;

- determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Effective Date;

- ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

- hear and determine matters relating to Claims including, without limitation the allowance, classification, priority, compromise, estimation or payment of any Claim;

- hear and determine matters relating to Claims with respect to the Debtors' director and officer insurance;

- enter, implement or enforce such orders as may be appropriate in the event that the Confirmation Order is for any reason stayed, reversed, revoked, modified or vacated;

- issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation or enforcement of this Plan, the Confirmation Order or any other order of the Bankruptcy Court, including, without limitation, any actions relating to the Not-for-Profit Status of Post-Effective Date SVCMC;

- resolve a dispute with respect to and/or otherwise appoint a replacement of the Responsible Officer or the Liquidating Trustee or replacement members of the Post-Effective Date Committee;

- hear and determine any application to modify this Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in this Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

- hear and determine all applications under sections 330, 331 and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

- hear and determine disputes arising in connection with the interpretation, implementation, obligation or enforcement of this Plan, the Confirmation Order, any transactions

or payments contemplated hereby, the SV1 Plan, confirmation order implementing the SV1 Plan, or any agreement, instrument, or other document governing or relating to any of the foregoing;

- take any action and issue such orders as may be necessary to construe, enforce, implement, execute and consummate this Plan or to maintain the integrity of this Plan following consummation, including the post-Effective Date sale of any Liquidating Trust Assets or Operating Assets;

- hear any disputes arising out of the resolution of Tort Claims and Tail Claims in accordance with the Tort Claim Resolution Procedures and the Tail Claim Procedures (respectively), or the resolution of SV1 MedMal Claims in accordance with the procedures set forth in Section 8.6 of the Plan.

- hear any disputes arising out of, and to enforce, the Tail Settlement Agreements or any order approving alternative dispute resolution procedures to resolve personal injury, employment litigation and similar Claims pursuant to section 105(a) of the Bankruptcy Code;

- determine such other matters and for such other purposes as may be provided in the Plan and/or Confirmation Order;

- hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code including, without limitation, (i) any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the date of final distribution under the Plan and (ii) any other matters relating to the Not-for-Profit Status of the Post-Effective Date SVCMC;

- hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

- authorize recovery of all assets of any of the Debtors and property of the applicable Debtor's Estate, wherever located;

- consider any and all claims against the Releasees involving or relating to the administration of the Chapter 11 Cases, any rulings, orders, or decisions in the Chapter 11 Cases or any aspects of the Debtors' Chapter 11 Cases and the events leading up to the commencement of the Chapter 11 Cases, including the decision to commence the Chapter 11 Cases, the development and implementation of the Plan, the decisions and actions taken prior to or during the Chapter 11 Cases and any asserted claims based upon or related to prepetition obligations of the Debtors for the purpose of determining whether such claims belong to the Estates or third parties. In the event it is determined that any such claims belong to third parties, then, subject to any applicable subject matter jurisdiction limitations, the Bankruptcy Court shall have exclusive jurisdiction with respect to any such litigation, subject to any determination by the Bankruptcy Court to abstain and consider whether such litigation should more appropriately proceed in another forum;

- hear and resolve any disputes regarding the reserves required hereunder, including without limitation, disputes regarding the amounts of such reserves or the amount, allocation and timing of any releases of such reserved funds; and

- enter a final decree closing the Chapter 11 Cases.

I. Miscellaneous Provisions

1. Termination of All Employee, Retiree and Workers' Compensation Benefits

All existing employee benefits (including, without limitation, workers' compensation benefits, health care plans, disability plans, severance benefit plans, incentive plans, and life insurance plans) and retiree benefits (as such term is defined under section 1114(a) of the Bankruptcy Code) not previously terminated by the Debtors, or assumed by the Debtors in the Schedule of Assumed Contracts, shall be terminated on or before the Effective Date, except as otherwise expressly provided in the Confirmation Order. For the avoidance of doubt, employee and retiree benefits will not be terminated with respect to the employees of the Post-Effective Date SVCMC.

2. Termination of Collective Bargaining Agreements

The Debtors shall either (a) enter into consensual terminations of their collective bargaining agreements without further Bankruptcy Court approval or (b) in the absence of such consensual agreement, obtain entry of an order of the Bankruptcy Court holding that either (i) section 1113 is no longer applicable or (ii) the Debtors may terminate their collective bargaining agreements in accordance with section 1113 of the Bankruptcy Code. Notwithstanding the foregoing, the collective bargaining agreements that govern Post-Effective Date SVCMC's Operations will continue to govern until the last employee subject to the collective bargaining agreements has either voluntarily resigned from or has been terminated by SVCMC or the Post-Effective Date SVCMC, as applicable.

Pursuant to the 1199 Settlement Agreement and the NYSNA Settlement Agreement, the Debtors and the parties thereto have agreed to the timing and the mechanism by which their collective bargaining agreements will be deemed rejected and terminate. The Debtors will not incur any rejection damages in connection with such termination or rejection. The following collective bargaining agreements will continue in effect in the ordinary course, but will not be assumed by the Debtors, until the time when the last member under each respective collective bargaining agreement has either voluntarily resigned or terminated: (a) NYSNA CBA for USFHP and (b) 1199 SEIU and League of Voluntary Hospitals and Homes of New York as applicable to St. Vincent's Manhattan central business office operations and USFHP.

For the avoidance of doubt, any collective bargaining agreement that was assumed and assigned pursuant to a prior Court order as part of a transaction to a third-party remains unaffected by the 1199 Settlement Agreement, the NYSNA Settlement Agreement and the Plan.

3. Business Day Transactions

In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable on the next succeeding Business Day, but shall be deemed to have been completed as of the initial due date.

4. Exemption from Transfer Taxes

Pursuant to section 1146(c) of the Bankruptcy Code, the assignment or surrender of any lease or sublease, or the delivery or any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by the Plan (including whether real or personal property (including, without limitation, the Bayley Seton campus), shall not be subject to any stamp, real estate transfer, mortgage recording sales, use or other similar tax.

5. Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, or to the extent that an Exhibit hereto or a Schedule in the Plan Supplement provides otherwise, the rights, duties and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

6. Continuing Effect of the Bankruptcy Court Orders and Settlement Stipulations

Unless otherwise set forth in the Plan and Confirmation Order, the orders of the Bankruptcy Court and any other settlement stipulations entered into by the Debtors to settle Claims (including without limitation, agreements to lift the automatic stay, resolve litigation claims and limit recoveries to available insurance proceeds) shall not be modified, limited or amended by the Plan and shall remain in full force and effect. To the extent of any direct conflict between the terms of the Plan and the Creditor Settlement Agreements, the conflicting provisions of the Creditor Settlement Agreements shall govern with respect to the treatment of Allowed Claims as provided for in the Creditor Settlement Agreements.

VIII. CONFIRMATION AND EFFECTIVENESS OF THE PLAN

A. Conditions Precedent to Confirmation of the Plan (*Section 10.1 of the Plan*)

The confirmation of the Plan shall be conditioned upon the Bankruptcy Court entering the Confirmation Order in form and substance satisfactory to the Debtors.

B. Confirmation of the Plan

1. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold the Confirmation Hearing. The Confirmation Hearing is scheduled for June 25, 2012 at 11:00 a.m. (prevailing Eastern Time), or as soon thereafter as counsel may be heard, before the Honorable Cecelia G. Morris, Chief United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Customs House, One Bowling Green, New York, New York 10004-1408. Please note the courtroom for the Confirmation Hearing will be announced immediately prior to the Confirmation Hearing. The Confirmation Hearing may be adjourned from time to time by the Debtors or the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned confirmation hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, must set forth the name of the objector and the nature and amount of claims or interests held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court (a) electronically in accordance with General Order M-399 (General Order M-399 and the User's Manual for the Electronic Case Filing System can be found at http://www.nysb.ucourts.gov, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and (b) by all other parties in interest, on a CD-ROM or 3.5 inch disk, in text-searchable portable document format (PDF) (with a hard-copy delivered directly to Chambers), in accordance with the customary practices of the Bankruptcy Court and General Order M-399, to the extent applicable, and shall be served in accordance with General Order M-399 and on (i) Kramer Levin Naftalis & Frankel LLP, attorneys for the Debtors, 1177 Avenue of the Americas, New York, New York 10036 (Attn: Kenneth H. Eckstein, Adam C. Rogoff, Esq., P. Bradley O'Neill, Esq., and Gregory G. Plotko, Esq..), (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Serene Nakano, Esq.), (iii) Akin Gump Strauss Hauer & Feld LLP, attorneys for the Committee, One Bryant Park, New York, New York 10036 (Attn: David Botter, Esq., Sarah Link Schultz, Esq., and Ashleigh Blaylock, Esq.), and (iv) Winston & Strawn LLP, attorneys for General Electric Capital Corporation, 200 Park Avenue New York, New York 10166-4193 (Attn: Randy Rogers and David Neier Esq.) so as to be ACTUALLY RECEIVED no later than June 15, 2012, at 4:00 p.m. (prevailing Eastern Time).

2. Deadline to Object to Confirmation

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

At the Confirmation Hearing, the Bankruptcy Court must determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied and, upon demonstration of such compliance, the Bankruptcy Court will enter the Confirmation Order.

3. Acceptance

The Bankruptcy Code defines acceptance of a chapter 11 plan by a class of creditors as acceptance by creditors holding two-thirds (2/3) in dollar amount and a majority in number of the claims in such class (other than any such creditor designated under section 1126(e) of the Bankruptcy Code), but for that purpose counts only those creditors that actually cast ballots. Holders of claims that fail to vote are not counted as either accepting or rejecting a plan.

Classes 1 and 2 are Unimpaired and, therefore, are conclusively presumed to have voted to accept the Plan. Classes 3 and 4 are Impaired and are entitled to vote on the Plan. Class 5 is Impaired and is deemed to reject the Plan. To the extent any Impaired Class(es) entitled to vote on the Plan reject(s) the Plan, the Debtors may seek the nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to such rejecting Class(es). Finally, the Debtors reserve their rights to amend the Plan with respect to any such rejecting Class(es).

4. Standards for Confirmation of the Plan

(a) Requirements Under Section 1129(a) of the Bankruptcy Code

The following requirements must be satisfied pursuant to section 1129(a) of the Bankruptcy Code before the Bankruptcy Court may confirm a chapter 11 plan:

(i) The plan complies with the applicable provisions of the Bankruptcy Code.

(ii) The debtors have complied with the applicable provisions of the Bankruptcy Code.

(iii) The plan has been proposed in good faith and not by any means forbidden by law.

(iv) Any payment made or to be made by the debtors, for services or for costs and expenses, in connection with these cases, in connection with the plan, and incident to these cases, has been approved by, or is subject to the approval of the Bankruptcy Court as being reasonable.

(v) The debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor or a successor to the debtor under the plan, and the

appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and with public policy.

(vi) The debtors have disclosed the identity of any insider (as defined in section 101 of the Bankruptcy Code) that will be employed or retained by the debtors, and the nature of any compensation for such insider.

(vii) With respect to each impaired class of claims, (a) each holder of a claim of such Class (x) has accepted the plan; or (y) will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtors were liquidated under chapter 7 of the Bankruptcy Code on such date; or (b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each holder of a claim of such class 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 value of such holder's interest in the estate's interest in the property that secures such claims.

(viii) With respect to each class of claims or interests, such class has (a) accepted the plan; or (b) such class is not impaired under the plan (subject to the "cramdown" provisions discussed below; see Confirmation of the Plan — Requirements Under Section 1129(b) of the Bankruptcy Code.

(ix) Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that Administrative Expense and Priority Non-Tax Claims will be paid in full on the Effective Date and that Priority Tax Claims will be paid in full, in cash, on the Effective Date or as soon as practicable thereafter; however, the Debtor shall have the right to make deferred cash payments on account of such Priority Tax Claims over a period ending not later than five (5) years after the date of the order for relief under section 301 and in a manner not less favorable than the most favored non-priority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b) of the Bankruptcy Code and with respect to a secured claim that otherwise would meet the description of an unsecured claim of a governmental unit under section 507(a)(8) of the Bankruptcy Code, but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as described in this paragraph.

(x) If a class of claims is impaired under the plan, at least one class of claims that is impaired under the plan has accepted the plan, determined without including any acceptance of the plan by any insider (as defined in section 101 of the Bankruptcy Code).

(xi) 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.

(xii) All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan.

(xiii) Any transfers of property made pursuant to the plan will be in compliance with section 1129(a)(16), subject to the judicial oversight of the Bankruptcy Court, and in accordance with the plan and confirmation order.

The Debtors believe that the Plan meets all the applicable requirements of section 1129(a) of the Bankruptcy Code described above other than those pertaining to voting, which has not yet taken place.

(b) Requirements Under Section 1129(b) of the Bankruptcy Code

The Bankruptcy Code permits confirmation of a plan even if it is not accepted by all impaired classes, as long as (a) the plan otherwise satisfies the requirements for confirmation, (b) at least one impaired class of claims has accepted it without taking into consideration the votes of any insiders in such class and (c) the plan is “fair and equitable” and does not “discriminate unfairly” as to any impaired class that has not accepted the plan. These so called “cramdown” provisions are set forth in section 1129(b) of the Bankruptcy Code.

(i) *Fair and Equitable*

The Bankruptcy Code establishes different “cramdown” tests for determining whether a plan is “fair and equitable” to dissenting impaired classes of secured creditors, unsecured creditors and equity interest holders as follows:

a. Secured Creditors

A plan is fair and equitable to a class of secured claims that rejects the plan if the plan provides: (i) that each of the holders of the secured claims included in the rejecting class (A) retains the liens securing its claim to the extent of the allowed amount of such claim, whether the property subject to those liens is retained by the debtor or transferred to another entity, and (B) receives on account of its secured claim deferred cash payments having a present value, as of the

effective date of the plan, at least equal to such holder's interest in the estate's interest in such property; (ii) that each of the holders of the secured claims included in the rejecting class realizes the "indubitable equivalent" of its allowed secured claim; or (iii) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of such liens with such liens to attach to the proceeds of the sale, and the treatment of such liens on proceeds in accordance with clause (i) or (ii) of this paragraph.

b. Unsecured Creditors

A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the plan provides that: (i) each holder of a claim included in the rejecting class receives or retains under the plan, property of a value, as of the effective date of the plan, equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the rejecting class will not receive or retain any property under the plan.

The Debtors believe the Plan is fair and equitable as to all creditors.

(ii) *Unfair Discrimination*

A chapter 11 plan does not "discriminate unfairly" if a dissenting class is treated substantially equally with respect to other classes similarly situated, and no class receives more than it is legally entitled to receive for its claims or interests. The Debtors do not believe that the Plan discriminates unfairly against any impaired Class of Claims. The Debtors believe that the Plan and the treatment of all Classes of Claims under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

5. Feasibility

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

6. Best Interests of Creditors

The Bankruptcy Code requires that each holder of an impaired claim or equity interest either (i) accept the Plan or (ii) 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 Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The first step in determining whether this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. However, unlike a chapter 7 liquidation

of a for-profit entity, the liquidation of not-for-profit entities, like the Debtors, is complicated by the potential steps that might be required to comply with applicable non-bankruptcy law. This could include obtaining potential regulatory approvals for the sale of assets that might be required. This process, in turn, could depress the value of remaining assets.[17] The gross amount of cash that would be available for satisfaction of claims would be the sum of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered cash held by the Debtors at the time of the commencement of the liquidation case.

The next step is to reduce that gross amount by the costs and expenses of liquidation and by such additional administrative and priority claims that might result from the use of chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such allocations (taking into account the time necessary to accomplish the liquidation) are compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Chapter 7 cases for these Debtors would likely require multiple trustees given the breadth of intercompany claims and allocation issues that exist among the Estates. Other liquidation costs include the expenses incurred during the Chapter 11 Cases allowed in the chapter 7 cases, such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals for the Debtors and statutory committees appointed in these Chapter 11 Cases, and costs and expenses of members of such committees, as well as other compensation claims. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases.

The foregoing types of claims, costs, expenses, fees, and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition priority and unsecured Claims.

In a chapter 7, the settlements achieved in these Chapter 11 Cases would not exist and distributions to unsecured creditors are likely to be zero given the magnitude of the claims asserted by these large creditors. The recoveries under this Plan are predicated upon the Intercompany Settlement as well as the Creditor Settlement Agreements with the PBGC, 1199SEIU, 1199 Funds, NYSNA, the DOL and the MedMal Trusts Monitor.

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[17] The Debtors are not waiving their rights to assert that any approvals, other than the Bankruptcy Court, would be required for the sale of assets. However, certain non-Debtor parties might contend that non-Bankruptcy Court approvals are necessary and, if such contentions were upheld, this could affect the timing and amounts of any recoveries.

The Debtors, therefore, submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such Class would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

The Debtors' Liquidation Analysis is attached hereto as Exhibit B. The information set forth therein provides a summary of the liquidation values of the Debtors' assets, assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtors' estates. The Liquidation Analysis was prepared by the Debtors with the assistance of Grant Thornton.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant economic uncertainties and contingencies beyond the control of the Debtors. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected might not be realized if the Debtors were, in fact, to undergo a chapter 7 liquidation. The chapter 7 liquidation period is assumed to be a period of not less than 18 months, allowing for, among other things, the (i) discontinuation of the Debtors' remaining operations; (ii) sale of the Debtors' remaining assets; and (iii) collection of receivables.

C. Conditions Precedent to Effective Date (*Section 10.2 of the Plan*)

1. Conditions Precedent to Effective Date

The Effective Date will be a Business Day on or after the Confirmation Date specified by the Debtors on which the conditions to the effectiveness of this Plan have been satisfied or waived. The following are conditions precedent to the Effective Date:

(a) The Confirmation Order shall become a Final Order;

(b) The Debtors have sufficient Cash to satisfy Allowed Unclassified Claims;

(c) The Debtors have sufficient Cash to satisfy the Cash Settlement Claims;

(d) The Debtors have sufficient Cash to satisfy the Allowed Claims in Class 1;

(e) The Debtors have sufficient Cash to fund the Operating Account and each of the Liquidating Trust Reserves;

(f) The Bankruptcy Court has approved pursuant to Bankruptcy Rule 9019 and section 1123(b)(3) of the Bankruptcy Code, the Creditor Settlement Agreements and the Intercompany Settlement, which shall be effective but for the occurrence of the Effective Date;

(g) The Debtors have sufficient Cash to fund the portion of the Manhattan Tail Fund and the Westchester Tail Fund contemplated by the Tail Settlement Agreements;

(h) All documents, instruments, and agreements provided for under or necessary to implement this Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery shall have been waived by the parties benefitted thereby.

As described above, the Effective Date shall not occur until the Debtors' estates have sufficient Cash to pay or reserve for, as applicable, the Allowed Unclassified Claims, the Cash Settlement Claims, and the Allowed Claims in Class 1.

2. Waiver of Conditions Precedent to Effective Date

The Debtors may (with the Consent of the Committee) waive the conditions to the effectiveness of the Plan set forth in Sections 10.2(a), (c), (d), and (e) thereof without leave of the Bankruptcy Court and without formal action other than proceeding with confirmation of the Plan and filing a notice of confirmation with the Bankruptcy Court. To the extent that the Debtors believe they are unable to comply with the conditions to the effectiveness of the Plan set forth in Section 10.2(d) thereof, the Debtors reserve the right to amend the Plan with the Consent of the Committee at such time (in accordance with the terms thereof) to address the inability.

3. Effect of Nonoccurrence of Conditions

In the event that the Effective Date does not occur on or before June 30, 2012, upon notification submitted by the Debtors to the Bankruptcy Court: (i) the Confirmation Order will be vacated, (ii) no distributions under the Plan shall be made, (iii) the Debtors and all holders of Claims will be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (iv) the Debtors' obligations with respect to the Claims will remain unchanged and nothing contained in the Plan will constitute or be deemed a waiver, release, or discharge of any Claims by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by the Bankruptcy Court.

4. Vacatur of Confirmation Order

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan will be null and void in all respects, and nothing contained in the Plan will (a) constitute a waiver, release, or discharge any Claims in the Debtors; (b) prejudice in any manner the rights of the holder of any Claim against the Debtors; (c) prejudice in any manner any right, remedy or claim of the Debtors; or (d) be deemed an admission against interest by the Debtors.

5. Modification of Plan

Subject to the limitations contained in the Plan, upon notice to the Committee, the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to entry of the Confirmation Order. After entry of the Confirmation Order, the Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry

out the purpose and intent of the Plan. A holder of an Allowed Claim that is deemed to have accepted this Plan shall be deemed to have accepted this Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

6. Revocation, Withdrawal, or Non-Consummation

The Debtors may, with the Consent of the Committee, withdraw or revoke the Plan at any time prior to the Effective Date. If the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Effective Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained therein shall be deemed to constitute a waiver or release of any Claim by or against the respective Debtor or any other Person or to prejudice in any manner the rights of the respective Debtor or any other Person in any further proceedings involving the respective Debtor.

D. Effect of Confirmation (*Section 11 of the Plan*)

1. Vesting of Assets

Unless provided for in the Confirmation Order, upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, (a) the Liquidating Trust Assets shall vest in the Liquidating Trust and (b) the Operating Assets shall vest in the Post-Effective Date SVCMC, in each case free and clear of all Claims, liens, encumbrances, charges and other interests, subject to the Debtors' obligations under the Plan.

2. Settlement of Causes of Action Relating to Claims

Unless otherwise authorized by another order of the Bankruptcy Court, pursuant to Bankruptcy Rule 9019 and section 1123(b)(3) of the Bankruptcy Code and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all Causes of Actions relating to the rights that a holder of a Claim may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. Unless otherwise authorized, the entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such Causes of Action and the Bankruptcy Court's finding that all such Causes of Action are in the best interests of the Debtors, their Estates, their respective property and Claim holders and are fair, equitable and reasonable.

3. Extension of Existing Injunctions and Stays

Unless otherwise provided herein, all injunctions or stays arising under section 105 or 362 of the Bankruptcy Code, any order entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code or otherwise, and in existence on the Effective Date, shall remain in full force and effect until the Closing of the Chapter 11 Cases. In addition, insofar as any such injunction or stay is applicable to any SV1 MedMal Claim, or the holder thereof, such injunction or stay shall remain in full force relative to such SV1 MedMal Claim until such time as such SV1 MedMal Claim has been fully and finally resolved in accordance with the procedures provided for in the Plan.

E. Discharge and Releases

1. General Discharge and Release of the Debtors

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights and treatment that are provided in the Plan will be in complete satisfaction, discharge and release, effective as of the Effective Date, of Claims and Causes of Action of any nature whatsoever, whether known or unknown, against, liabilities of, liens on, obligations of the Debtors, their Estates or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim based upon such debt, or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim based upon such debt or right is Allowed; or (iii) the holder of such a Claim has accepted the Plan or is entitled to receive a distribution hereunder. Any default by the Debtors or their affiliates with respect to any Claim that existed immediately before or on account of the filing of the Chapter 11 Cases will be deemed cured on the Effective Date.

2. Releases by the Debtors

As of the Effective Date, each of the Debtors will release all Releasees[18] from any and all Causes of Action held by, assertable on behalf of, or derivative of the Debtors, in any way relating to the Debtors (including, without limitation, the ownership, management, and operation of the Debtors whether before or after the Petition Date), the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, the administration of the Plan or the property to be distributed under the Plan), and/or the closure of any of the Debtors' healthcare and related services (including without limitation the events and decisions leading up to the closure of the Manhattan Hospital), except with respect to actions or inactions found by Final Order to be willful misconduct, gross negligence, fraud, and/or criminal conduct; provided, however, that the Debtors may setoff against any Claim held by any of the Releasees hereunder against any Debtor any amount released by this Section of the Plan, provided, further, however,

[18] Releasees is defined in the Plan as: collectively, the Estates, the Debtors, the SVCMC Group, the Responsible Officer, the Liquidating Trustee, the Liquidating Trust, Post-Effective Date SVCMC, the DIP Lenders, the DIP Agent, GECC as the prepetition revolving and term loan agent and lender of the Debtors, TD Bank, N.A. as the prepetition revolving and term loan lender of the Debtors, the MedMal Trusts Monitor, the MedMal Trustees, the Committee, the Post-Effective Date Committee, the Ombudsmen, the Creditor Settlement Parties, all of the assets and property of each of the foregoing, and each current and/or former member, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the SV1 Effective Date.

that the Debtors' release of Releasees from Causes of Actions hereunder shall not include any Avoidance Actions that were timely commenced by the Avoidance Actions Counsel against any Releasees.

3. Releases by the Releasees

As of the Effective Date, the Releasees will release each other from any and all Causes of Action, that any Releasee is entitled to assert against any other Releasee, based in whole or in part upon any act or omission, transaction, agreement, event or occurrence taking place on or before the Effective Date (including, without limitation, whether occurring before or after the Petition Date) in any way relating to any Debtor, the Chapter 11 Cases, the closure of any of the Debtors' healthcare and related services (including without limitation the events and decisions leading up to the closure of the Manhattan Hospital), and/or the negotiation, formulation, and preparation of this Plan or any related document, except for Causes of Action against any Releasee resulting from actions or inactions found by Final Order to involve the willful misconduct, gross negligence, fraud, and/or criminal conduct of such Releasee.

4. Creditor Settlement Agreement Releases

- Releases of Creditor Settlement Parties. Notwithstanding anything to the contrary contained in the Plan, all of the releases granted by the Creditor Settlement Parties pursuant to the respective Creditor Settlement Agreements are expressly incorporated in the Plan and will be enforceable against such parties only to the extent provided in the Creditor Settlement Agreements.

- Releases by PBGC. On the Effective Date, the PBGC, on its own behalf and on behalf of the Pension Plan, will release any and all Causes of Action against (A) the Debtors, (B) the Estates, (C) all of the members of the SVCMC Group, (D) any successor to any of the entities listed in (A) through (C), and (E) each of the current, former, or future officers, directors, employees, agents and professionals of the entities listed in (A) through (D) (collectively, the "PBGC Released Parties"). Notwithstanding anything to the contrary in the Plan, nothing contained in the Plan, the PBGC Settlement Agreement, or any other documents filed in these Chapter 11 Cases shall release or discharge any PBGC Released Party that is a fiduciary of the Pension Plan from liability arising under Sections 404, 405, 407 or 409 of ERISA (29 U.S.C. §§ 1104, 1105, 1107 and 1109).

*5. **Non-Debtor Releases***

The language in this Section only applies to those holders of Claims in voting Classes having submitted a ballot who have not checked the box "opting out" of the non-debtor release.

As of the Effective Date, each Person who directly or indirectly, has held, holds, or may hold Claims and submits a ballot to vote on the Plan but does not elect to OPT-OUT of the releases contained in this paragraph, conclusively, absolutely, unconditionally, irrevocably

and forever releases and discharges each of the Debtors' present and former directors, officers, trustees, agents, attorneys, advisors, employees, or members (solely in their capacity as such) who serve or served on or after the SV1 Effective Date of all Causes of Action, heretofore existing or which may heretofore accrue from the beginning of time to and including the Effective Date in any way relating to the Debtors (including, without limitation, the ownership, management, and operation of the Debtors, whether before or after the Petition Date), the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the Plan or any related document (including, without limitation, the negotiation and consummation of the Plan), the pursuit of the Effective Date, the administration of the Plan or the property to be distributed under the Plan, and/or the closure of any of the Debtors' healthcare and related services (including without limitation the events and decisions leading up to the closure of the Manhattan Hospital), except with respect to actions or inactions found by Final Order to be willful misconduct, gross negligence, fraud, and/or criminal conduct; provided, however, that (i) the releases provided for in this paragraph will not apply to Causes of Action held by the Debtors' former or current patients that arise out of or relate to medical malpractice committed by the Debtors' former or current employees; and (ii) nothing contained in this paragraph will impact any defenses to such Causes of Actions that may be available under all applicable law.

FOR THE AVOIDANCE OF ANY DOUBT:

(1) IF ANY PERSON THAT CHECKS THE BOX ON THE BALLOT TO OPT-OUT OF THE NON-DEBTOR RELEASE AND RETURNS SUCH BALLOT IN ACCORDANCE WITH THE VOTING PROCEDURES, THEN THAT PERSON WILL NOT BE SUBJECT TO THE NON-DEBTOR RELEASE.

(2) ANY MEMBER OF A NON-VOTING CLASS WILL NOT BE BOUND BY THE NON-DEBTOR RELEASE.

6. Releases by Manhattan Covered Staff

In accordance with the Manhattan Tail Settlement Agreement, in consideration for the injunction granted to the Manhattan Covered Staff, the Manhattan Covered Staff will release all Indemnification Claims against the Estates related to any Manhattan Tail Claims and Administrative Expense Claims for tail coverage; provided, however, that such waiver does not extend to any other types of Claims that they may hold, including any remaining priority or severance Claims (after taking into account the contributions made to the Manhattan Tail Fund).

7. Releases by Westchester Covered Staff

In accordance with the Westchester Tail Settlement Agreement, in consideration for the injunction granted to the Westchester Covered Staff, the Westchester Covered Staff will release all Indemnification Claims against the Estates related to any Westchester Tail Claims and Administrative Expense Claims for tail coverage; provided, however, that such waiver does not extend to any other types of Claims that they may hold, including any remaining priority or

severance Claims (after taking into account the contributions made to the Westchester Tail Fund).

F. Injunctions

1. General Injunction

Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against Releasees: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date SVCMC or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall preclude the holders of Claims against the Debtors from (i) pursuing the Debtors' general liability insurance or insurance for Tort Claims to recover and litigate the Claim against the applicable insurance policies; (ii) seeking discovery in actions against third parties or from pursuing third-party insurance that does not cover Claims against the Debtors; and (iii) enforcing any obligations of the Debtors, the Post-Effective Date SVCMC, the Liquidating Trust, the Responsible Officer, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases.

2. Other Injunctions

The Responsible Officer, the Liquidating Trustee, the Post-Effective Date Committee and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Responsible Officer, the Liquidating Trustee, the Post-Effective Date Committee, the Liquidating Trust or the Post-Effective Date SVCMC (as applicable), except those acts found by Final Order to be arising out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of, the Responsible Officer, the Liquidating Trustee, the Post-Effective Date Committee, the Liquidating Trust or the Post-Effective Date SVCMC (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Responsible Officer, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust

Assets (with respect to all claims, other than those claims related to the Operating Assets and the administration of the Tail Funds or the resolution of the Tail Claims), (ii) the Operating Assets (with respect to all claims related to the Operating Assets), or (iii) the Tail Funds (with respect to all claims related to the administration of the Tail Funds or the resolution of the Tail Claims). The parties in this section of the Plan shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

G. Channeling Injunction for Tail Claims

1. Channeling Injunction Relating to Manhattan Tail Claims

As of the Effective Date, all Persons, including but not limited to direct or indirect holders of Manhattan Tail Claims shall be permanently enjoined from commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind and/or from enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a claim that would entitle a Covered Person to an Indemnification Claim arising from a Manhattan Tail Claim (including, but not limited to, Indemnification Claims against SVCMC or the Post-Effective Date SVCMC related to the Manhattan Tail Claims) against SVCMC or the Post-Effective Date SVCMC and the Manhattan Covered Staff for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to a Manhattan Tail Claims. Any collection, recovery and payment on account of the Manhattan Tail Claims will be channeled to and solely paid from the Manhattan Tail Fund, pursuant to the Tail Claims Resolution Procedures.

2. Channeling Injunction Relating to Westchester Tail Claims

As of the Effective Date, all Persons, including but not limited to direct or indirect holders of Westchester Tail Claims shall be permanently enjoined from commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind and/or from enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a claim that would entitle a Covered Person to an Indemnification Claim arising from a Westchester Tail Claim (including, but not limited to, the Indemnification Claims related to the Westchester Tail Claims against SVCMC or the Post-Effective Date SVCMC) against SVCMC or the Post-Effective Date SVCMC and the Westchester Professional Staff for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to the Westchester Tail Claims. Any collection, recovery and payment on account of a Westchester Tail Claim will be channeled to and solely paid from the Westchester Tail Fund, pursuant to the Tail Claims Resolution Procedures.

H. Exculpation

To the maximum extent permitted by applicable law, the Releasees shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, the administration of the Plan or the property to be distributed under the Plan), and/or the closure of any of the Debtors'

healthcare and related services (including without limitation the events and decisions leading up to the closure of the Manhattan Hospital), except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, criminal conduct, and, in all respects, the Releasees shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Releasee shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section of the Plan.

I. No Recourse

If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including without limitation in Sections 2, 4.1, and 6.2 thereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Releasees. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under Section 502(j) of the Bankruptcy Code. The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Post-Effective Date SVCMC, the Committee, the Post-Effective Date Committee, the Liquidating Trustee or otherwise shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

J. Special Provisions for the Government[19]

(a) *As to the Government only, nothing in the Plan or Confirmation Order shall limit or expand the scope of releases, discharge or injunction to which the Debtors, the Estates, and each of their respective successors are entitled under the Bankruptcy Code. The releases, discharge and injunction provisions contained in the Plan and Confirmation Order are not intended and shall not be construed to bar the Government from, subsequent to the Confirmation Date, pursuing any police or regulatory action in accordance with the Bankruptcy Code; provided however* that *nothing herein shall constitute relief from the automatic stay.*

(b) *Notwithstanding any* provision *of the Plan or the Confirmation Order to the contrary, as to the Government only, nothing in the Plan or Confirmation Order shall discharge, release, impair, or otherwise preclude: (i) any liability of the Debtors, the Estates, or their respective successors to the Government arising on or after the Confirmation Date; (ii) any liability to the Government that is not a Claim; (iii) any valid right of setoff or recoupment of the Government against any of the Debtors, provided, however that any such right of setoff or recoupment must be allowable under applicable law, including Section 553 of the Bankruptcy Code; or (iv) subject to the provisions of section 11.10(a) hereof,*

[19] Government means, collectively (a) the U.S. Government and (b) the State of New York, its agencies, departments, or agents.

any liability of the Debtors, their Estates, and each of their respective successors under environmental law to any Governmental Unit (as defined by section 101(27) of the Bankruptcy Code) as the owner or operator of property that such entity owns or operates after the Confirmation Date, except liability arising from an obligation to either reimburse costs expended or paid by the Government before the Petition Date or pay penalties owing to the Government for violations of environmental laws or regulations that occurred before the Petition Date. Nothing in this Plan or Confirmation Order be deemed to have limited or expanded the jurisdiction of the Bankruptcy Court, or another court, commission or tribunal, as may be applicable, to make determinations as to any of the foregoing.

(c) *Nothing in the Confirmation Order or the Plan shall release or exculpate any Person that is not a Debtor, their Estates, or their respective successors ("**Non-Debtor Persons**"), from any liability to the U.S. Government, including but not limited to any liabilities arising under the Internal Revenue Code, the environmental laws, or the criminal laws against any Non-Debtor Persons, nor shall anything in this Plan or Confirmation Order enjoin the U.S. Government from bringing any claim, suit, action or other proceeding against any Non-Debtor Persons for any liability whatsoever.*

(d) *Nothing contained in the Plan or Confirmation Order shall be deemed to determine the tax liability of any person or entity, including but not limited to the Debtors and their successors under the Plan, nor shall the Plan or Confirmation Order be deemed to have determined the tax treatment of any item, distribution, or entity, including the tax consequences of this Plan, nor shall anything in this Plan or Confirmation Order be deemed to have limited or expanded the jurisdiction of the Bankruptcy Court to make determinations as to any such tax liability and tax treatment.*

K. Preservation of Causes of Actions

(a) Nothing contained in the Plan will be deemed a waiver or relinquishment of any claims or Causes of Action of the Debtors that are not specifically waived or relinquished by this Plan, which will vest in the Liquidating Trust (with respect to the Liquidating Assets) or the Post-Effective Date SVCMC (with respect to the Operating Assets) subject to any existing valid and perfected security interest or lien in such Causes of Action. The Causes of Action preserved hereunder include, without limitation, claims, rights or other causes of action:

(i) against vendors, suppliers of goods or services (including attorneys, accountants, consultants or other professional service providers), utilities, contract counterparties, and other parties for, including but not limited to (A) services rendered; (B) over- and underpayment, back charges, duplicate payments, improper holdbacks, deposits, warranties, guarantees, indemnities, setoff or recoupment; (C) failure to fully perform or to condition performance on additional requirements under contracts with any one or more of the Debtors; (D) wrongful or improper termination, suspension of services or supply of goods, or failure to meet other contractual or regulatory obligations; (E) indemnification and/or warranty claims; or (F) turnover causes of action arising under sections 542 or 543 of the Bankruptcy Code;

(ii) against landlords or lessors, including, without limitation, for erroneous charges, overpayments, returns of security deposits, indemnification, or for environmental claims;

(iii) arising from damage to Debtors' property;

(iv) relating to claims, rights, or other causes of action the Debtors may have to interplead third parties in actions commenced against any of the Debtors;

(v) for collection of a debt owed to any of the Debtors;

(vi) arising against current or former tenants or lessees, including, without limitation, for non-payment of rent, damages, and holdover proceedings;

(vii) against insurance carriers, reinsurance carriers, underwriters or surety bond issuers relating to coverage, indemnity, contribution, reimbursement or other matters;

(viii) relating to pending litigation, including, without limitation, the suits, administrative proceedings, executions, garnishments, and attachments listed in Attachment 4a to each of the Debtors' Statements of Financial Affairs;

(ix) arising from underpayment claims against Oxford Health Plans, Inc./Oxford Health Insurance, Inc.;

(x) the Arbitration between SVCMC and Aptium W. New York, Inc. and United Healthcare Insurance Company, United Healthcare of New York, Inc., Oxford Health Insurance Inc., and Oxford Health Plans (NY), Inc.;

(xi) that constitute Avoidance Actions; and

(xii) relating to the Operating Assets.

The Liquidating Trustee, the Post-Effective Date Committee, the Responsible Officer and the Post-Effective Date SVCMC will have, retain, reserve and be entitled to assert all such claims, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any claim that is not specifically waived or relinquished by this Plan may be asserted by the Liquidating Trustee and the Post-Effective Date Committee on their behalf after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced.

(b) On and after the Effective Date, in accordance with section 1123(b) of the Bankruptcy Code and the terms of this Plan, the Liquidating Trustee, the Post-Effective Date Committee, the Responsible Officer and the Post-Effective Date SVCMC will retain and have the exclusive right to prosecute, abandon, settle or release any or all Causes of Action, as they deem appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court. The Post-Effective Date Committee will analyze potential Causes of Action

in consultation with the Liquidating Trustee, to determine whether the pursuit of these actions would be beneficial. The Liquidating Trustee will also confer and cooperate with the Post-Effective Date Committee in the prosecution and defense of all Causes of Action to be brought under this Plan. The Responsible Officer will analyze potential Causes of Action and shall confer with the Liquidating Trustee to determine whether the pursuit of these actions should be beneficial.

(c) The rights granted hereunder as they pertain to the Causes of Action identified in section 11.9(a)(ix)-(x) shall be subject to the rights of Aptium W. New York, Inc. pursuant to any valid agreements and stipulations between Aptium W. New York, Inc. and SVCMC.

L. Termination of Responsibilities of Ombudsmen

On the Effective Date, the duties and responsibilities of the Ombudsmen shall be terminated and the Ombudsmen shall be discharged from their duties as Ombudsmen and shall not be required to file any further reports or perform any additional duties. No person or entity may seek discovery in any form, including but not limited to by motion, subpoena, notice of deposition or request or demand for production of documents, from the Ombudsmen or their agents, professionals, employees, other representatives, designees or assigns (collectively, with the Ombudsmen, the "Ombudsmen Parties") with respect to any matters arising from or relating in any way to the performance of the duties of the Ombudsmen in these Chapter 11 Cases, including, but not limited to, pleadings, reports or other writings filed by the Ombudsmen in connection with these Chapter 11 Cases. Nothing herein shall in any way limit or otherwise affect the obligations of the Ombudsmen under confidentiality agreements, if any, between the Ombudsmen and any other person or entity or shall in any way limit or otherwise affect the Ombudsmen's obligation, under sections 332(c) and 333(c)(1) or other applicable law or Bankruptcy Court Orders, to maintain patient information, including patient records, as confidential, and no such information shall be released by the Ombudsmen without further order of the Court.

IX. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED HEREIN BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Certain Bankruptcy Considerations

1. Risk of Non-Confirmation, Non-Occurrence or Delay of the Plan

In order for the Debtors to conclude their Chapter 11 Cases, the Debtors, like any other chapter 11 debtor, must obtain approval of the Plan from their creditors and confirmation

of the Plan through the Bankruptcy Court, and then successfully implement the Plan. The foregoing process requires the Debtors to (i) meet certain statutory requirements with respect to the adequacy of this Disclosure Statement; (ii) solicit and obtain creditor acceptances of the Plan and (iii) fulfill other statutory conditions with respect to the confirmation of the Plan. Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modification would not necessitate the re-solicitation of votes to accept the Plan, as modified. Additionally, by its terms, the Plan will not become effective, unless, among other things, the conditions precedent described in Section VIII(A)of the Disclosure Statement have been satisfied or waived in accordance with the Plan.

Although the Debtors believe the Effective Date may occur on or before June 30, 2012 there can be no assurance as to such timing or that the conditions to the Effective Date contained in the Plan will ever occur. The impact that a prolonging of the Chapter 11 Cases may have on the Debtors cannot be accurately predicted or quantified. The continuation of the Chapter 11 Cases, particularly if the Plan is not approved, confirmed, or implemented within the time frame currently contemplated, could adversely affect the recovery of creditors due to increased professional fees and other expenses to continue the Chapter 11 Cases. Moreover, failure to confirm and consummate the Plan and the Settlement Agreements set forth therein may result in significant litigation with material administrative and priority creditors resulting in increased expense, burden and delay to the Debtors and their Estates.

2. The DIP Facility May Be Insufficient to Fund the Chapter 11 Cases if Protracted Litigation Occurs

Although the Debtors project that they will have sufficient liquidity to continue the administration of the Chapter 11 Cases through the Effective Date, there can be no assurance that their current receipts, together with their DIP Facility, will be sufficient to fund the Chapter 11 Cases, particularly if protracted litigation occurs over the confirmation of the Plan and the Settlement Agreements described herein.

The DIP Facility requires the Debtors to comply with certain covenants and there can be no assurance that the Debtors will be able to comply with such requirements. The Debtors current projected cash use does not contemplate significant litigation and its attendant expense.

3. Risks that Claims May Be Higher than Estimated

Given the current administrative and priority claims pool, the Debtors believe that they will be able to achieve an Effective Date of June 30, 2012. However, there remains uncertainty until the Bar Dates established in advance of and in connection with the confirmation of the Plan have passed. While the Debtors believe the assertion of significant claims is unlikely, the Debtors cannot provide any assurances that such claims may not come forward. Litigation over any newly asserted claims may further delay the Effective Date of the Plan.

The projected distributions and recoveries set forth in this Disclosure Statement and the preliminary liquidation analysis attached hereto are based on the Debtors' initial estimate of Allowed Claims, without having undertaken a substantive review of all filed Claims, in particular the GUC Claims, which the Debtors and the Committee determined would be reviewed and resolved post-Effective Date. While the Debtors project that the Claims asserted against them will be resolved in and reduced to an amount that approximates their estimates, there can be no assurance, however, that the Debtors' estimates will prove accurate. The outcome of the claims objection and resolution process can result in a higher or lower general unsecured creditor universe.

B. Risks Associated with Liquidating Trust Assets

Holders of Claims in Class 3 are likely to receive a distribution on account of certain recoveries and receivables that the Debtors continue to pursue after the Effective Date of the Plan. There is uncertainty as to the timing or ultimate ability to succeed in those collections, which can impact the level of recovery to holders of Claims in Class 3. The risks discussed below with respect to Operating Assets ultimately impact general unsecured recoveries as all net proceeds from Operating Assets become Liquidating Trust Assets to be distributed to creditors.

In addition, certain potential recoveries remain subject of litigation or dispute. The Debtors' potential recovery on avoidance actions will be distributed to creditors. Although the Debtors anticipate that there will be such a recovery, until the avoidance actions are resolved, there can be no guarantee that there will be a net benefit to the Estates.

The Debtors, in consultation with the Committee, are evaluating the propriety of obtaining a bond or insurance coverage for the Liquidating Trustee who will oversee distributions to creditors through the use of a disbursing agent. A determination will be made in advance of the objection deadline for confirmation of the Plan. However, the disbursing agent likely will be a third party unrelated to the Debtors or the Liquidating Trustee, and, therefore, the Debtors cannot control the disbursing agent and cannot fully ensure that it satisfactorily complies with its duties in connection with distributions under the Plan.

C. Risks Associated with Operating Assets

1. Managed Care and Government Payor Contracts

The Debtors rely on payments under their numerous contracts with managed care companies. While the Debtors have transferred most of their healthcare operations to third-party providers, they remain entitled to certain collections and receivables on account of services they rendered until the transfer. The process of collecting such receivables can take years to complete. The Debtors cannot predict the total recoveries nor the costs associated with ensuring those recoveries are obtained.

Specifically with respect to Medicare and Medicaid, the Debtors are subject to certain audits which determine the amounts owed to the Debtors for the services they rendered. These programs are subject to statutory and regulatory modifications, administrative rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially impair the Debtors' revenues. These audits

take place several years after the closing of the cost report year. Therefore, the Debtors will continue to be subject to Medicare and Medicaid audits and will have uncertainty as to whether they were underpaid or overpaid for such services and will ultimately determine the amount of third-party receivables paid to the Estates.

2. *Continued Operation of Certain Assets*

(a) General Risks

The Debtors continued the operation of their businesses in the ordinary course during the Chapter 11 Cases until their transfer to new sponsors. As of the date hereof, the Debtors continue to operate certain businesses: (i) the USFHP Program and (ii) the QIL Entities. The Debtors will continue to operate these businesses until they are either transferred to a third-party or they are ultimately wound down.

Both the USFHP Program and the QIL Entities are highly regulated by federal, state and international regulatory and governmental bodies. Their continued operation and eventual transfer or wind down would also be subject to regulation. The Net USFHP Receipts and the Net QIL Receipts will be made available for distribution to creditors.

(b) Certain Risks Associated with Net USFHP Receipts

(i) *Post-Effective Date SVCMC's revenues and results of operations are highly dependent on payments from the U.S. Department of Defense, which is experiencing significant budgetary constraints.*

Substantially all of the operating revenues of the Post-Effective Date SVCMC will be derived from capitation payments to be received from the U.S. Department of Defense ("DoD") under the USFHP Contract with the DoD covering the USFHP Program. These capitation payments, consisting of fixed monthly payments for each enrolled member, are established annually after negotiation between the DoD and each USFHP designated provider based on the demographic and risk profile of the enrolled membership. In consideration of these payments, SVCMC is obligated, during the relevant contract period, to provide to members enrolled in the USFHP Program certain healthcare services in accordance with policies established by the DoD, without regard to the costs actually incurred by SVCMC in providing such services.

The Debtors believe that future rate negotiations will be heavily influenced by the DoD's efforts to continue to contain or reduce military medical costs, including within the USFHP Program. For example, legislation was passed last year that eliminates the ability of potential new enrollees who are 65 and over after September 30, 2012, to enroll in the USFHP Program. Continuing cost-reduction pressures could have material adverse effects on the Post-Effective Date SVCMC's operating revenues, including: further reduction in the number of persons enrolled or eligible; changes in capitation rates; required changes in Post-Effective Date SVCMC's relations with its service providers; and/or requiring Post-Effective Date SVCMC to incur additional administrative, reporting, operational or other USFHP-related expenses.

(ii) *Post-Effective Date SVCMC's operations are highly regulated; failure to comply with the terms of its licenses and/or the government contract covering the USFHP Program could negatively impact its results of operations.*

The Post-Effective Date SVCMC's operations will be highly regulated at the federal, state and local levels, including examinations by governmental or accreditation agencies, periodic audits, and certain licensing requirements. Moreover, the DoD Contract contains various provisions that obligate Post-Effective Date SVCMC to comply with certain DoD and other policies including with respect to quality, access to care, patient satisfaction, provider network maintenance, and data submission. Changes in the laws and regulations and contractual provisions applicable to the provision of healthcare services generally, and to the USFHP Program in particular, are continually being considered and implemented, and interpretations of existing laws and rules often change over time. If Post-Effective Date SVCMC were unable to continue to comply with these requirements, the DoD Contract might be subject to termination or non-renewal.

(iii) *Although SVCMC is statutorily entitled to operate the USFHP Program given its "designated provider" status, Post-Effective Date SVCMC may not be able to obtain a renewal of the DoD Contract on terms substantially similar to those currently in effect.*

Under the governing statutes authorizing the USFHP Program (the "Act"), the DoD is required to contract with certain organizations, including SVCMC, that are "designated providers" as such term is defined in the Act, for the provision of certain healthcare services constituting the USFHP Program. The DoD has historically operated the USFHP via its entry into 5-year contracts with each designated provider; the terms of the current 5-year contracts expire on September 30, 2013. Notwithstanding its status as a "designated provider", if Post-Effective Date SVCMC were unable to obtain a renewal of the DoD contract on terms substantially similar to those currently in effect, Post-Effective Date SVCMC's ability to continue its USFHP operations as presently projected could be restricted, become uneconomic, or be lost.

(iv) *Any attempt by Post-Effective Date SVCMC to transfer sponsorship of the USFHP Program to a successor-in-interest is likely to require DoD consent.*

Were Post-Effective Date SVCMC to seek to transfer its sponsorship of the USFHP Program to a third party, such transfer would likely require review and approval by the DoD. The Debtors believe that the DoD's review process for such a transfer would focus principally on a review of the proposed transferee's financial wherewithal and ability to continue to provide the level of services and care historically offered by USFHP Program providers. The DoD may also require that a proposed transferee be a non-profit entity. However, the Debtors cannot provide assurances that the review process would not include other factors or that the DoD will consent to the novation of the DoD Contract with any proposed transferee.

(v) *Post-Effective Date SVCMC's operation of the USFHP Program is related to its ownership of the Bayley Seton Hospital.*

SVCMC's "designated provider" status under the Act is related to SVCMC's ownership of the Bayley Seton Hospital located in Staten Island, New York. Ownership of the Hospital carries with it certain environmental liabilities and operating expenses. As part of its sale of St. Elizabeth Ann Nursing Home, SVCMC entered into a ground lease with an affiliate of the purchaser (as ground lessee), under which the ground lessee agreed to pay obligations arising from and/or relating to the ownership, maintenance and/or operation of the Bayley Seton Hospital. However, as continuing owner of the Hospital, SVCMC remains liable for such obligations, which, if not paid by the ground lessee, may reduce net revenues available under the Plan from USFHP operating revenues. Moreover, in connection with any proposed transfer by Post-Effective Date SVCMC of sponsorship of the USFHP Program to a third party, such proposed successor might be required to acquire ownership of the Bayley Seton Hospital in order to itself become a "designated provider," thereby complicating any potential transaction involving the Program or the Hospital.

(vi) *Post-Effective Date SVCMC's ability to accurately estimate its incurred but not yet paid medical expenses could materially impact its operating results.*

SVCMC's health benefits expense includes estimates of the cost of claims for services rendered to enrolled members of the USFHP Program that are yet to be received, or incurred but not yet paid ("IBNP"), including both claims that have been received but not yet processed through SVCMC's USFHP claims system and costs that have been incurred but have not yet been reported. These estimates involve an extensive degree of judgment. To arrive at its estimates, SVCMC engages an independent actuarial firm. Adjustments, if necessary, are made to health benefits expense in the period during which the actual claim costs are ultimately determined or when underlying assumptions or factors used to estimate IBNP change. The Debtors assume that the current or future IBNP estimates are adequate, that any further adjustments to such IBNP estimates will not significantly harm (or benefit) the results of operations, or that the ultimate results will not materially differ from the estimates due to, for example, significant volatility in enrollment and healthcare service utilization patterns, the rate of medical cost inflation, or the regulatory environment. Any such material differences between projected and actual results could result in a material increase or decrease in Post-Effective Date SVCMC's health benefits expense in the period such difference is determined.

(vii) *SVCMC's USFHP Program has a limited pool of potential members, all of whom live within a limited geographic area.*

The DoD Contract restricts SVCMC to serving only eligible members – *i.e.*, active duty family members and military retirees and their eligible family members – who reside within SVCMC's USFHP service area, and places a cap on annual membership growth. Post-Effective Date SVCMC's reliance on operations in a limited geography could cause its revenue and results of operations to change suddenly and unexpectedly as a result of an unexpected increase in medical service utilization, general economic conditions, changes in the level of military staffing and similar factors within its service area. Moreover, there is a limited number

of possible enrollees in the USFHP Program, which restricts Post-Effective Date SVCMC's ability to grow its membership base.

(viii) *SVCMC's USFHP Program is subject to a variety of risks associated with the delivery of healthcare services within the current political, business and regulatory environment, any one of which could adversely affect its results of operations.*

These risks include:

- Post-Effective Date SVCMC's results of operations depend to a significant degree on its ability to predict and effectively manage medical costs. Changes in healthcare regulations and practices, level of use of healthcare services, hospital and pharmaceutical costs, new medical technologies and other external factors, including general economic conditions, are beyond Post-Effective Date SVCMC's control and could reduce its ability to predict and effectively control the costs of healthcare services it is contractually obligated to provide. Although Post-Effective Date SVCMC will attempt to continue to manage medical costs through various methods, including advance approval procedures for certain services and referrals, Post-Effective Date SVCMC may not be able to manage such costs effectively in the future.

- SVCMC purchases reinsurance coverage from a third party insurance company to help limit the risk assumed under the USFHP Program in situations where its enrolled members incur individually severe or catastrophic medical claims. The availability, amount and cost of reinsurance, which may vary significantly, depends on, among other things, market conditions and SVCMC's experience with insured losses. Post-Effective Date SVCMC can provide no assurance that such reinsurance coverage will be adequate or available in the future or that the cost of such reinsurance will not limit its ability to obtain appropriate levels of coverage.

- SVCMC's operations for the USFHP Program depend significantly on effective information systems, which among other things, monitor utilization and other cost factors, process provider claims, provide contractually mandated data to the DoD and allow SVCMC's providers to perform membership verifications, confirm claims status and obtain other information. The ability to capture, process and access data and translate it into meaningful information is essential to Post-Effective Date SVCMC's ability to effectively operate the USFHP Program in a cost-efficient manner.

- As part of SVCMC's operations, it collects, processes and retains voluminous confidential member information. Despite the security measures SVCMC has in place to ensure compliance with laws and rules applicable to the use and disclosure of such information, SVCMC's facilities and systems, and those of its service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information could have a material adverse effect on Post-Effective Date SVCMC's results of operations.

(ix) *A loss of SVCMC's not-for-profit tax status could subject SVCMC to U.S. federal income taxation and taxation by the states in which it operates.*

SVCMC is currently a not-for-profit corporation, and as a result, is exempt from paying U.S. federal or state income tax. The Plan provides that Post-Effective Date SVCMC will retain its not-for-profit tax exempt status. However, if Post-Effective Date SVCMC were to lose its not-for-profit tax status, it could become subject to U.S. federal and state income tax on all or a portion of its income.

D. Additional Factors to be Considered

1. The Debtors Have No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

2. No Representations Outside this Disclosure Statement are Authorized

No representations concerning or related to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in or accompanying this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained herein, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

3. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each holder of a Claim against the Debtors should consult his, her or its own legal counsel and accountants as to legal, tax and other matters concerning such holder's Claims. This Disclosure Statement is not legal advice to you and may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan reflects the resolution of significant claims as set forth in the Settlement Agreements and agreed to by the Debtors, the Committee, the PBGC, 1199, NYSNA, the DOL, and the MedMal Trusts Monitor. The Committee has supported and been integrally involved in the overall liquidation and transfer of the Debtors' healthcare businesses and other assets. The Plan as proposed also allows for the continuation of certain complex operations until their wind downs are complete. While alternatives have been considered, the Plan as proposed provides for a greater recovery to creditors in an expeditious manner while minimizing certain inherent risks in any other course of action available to the Debtors. If the Plan is not confirmed and

consummated, the alternatives to the Plan include (i) a liquidation under chapter 7 of the Bankruptcy Code and (ii) an alternative chapter 11 plan.

Most of the Debtors' assets have been liquidated throughout the Chapter 11 Cases and the Plan distributes the proceeds of such transactions. After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee and (ii) the substantial increases in claims that would be satisfied on a priority basis, the Debtors have determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under chapter 7.

The Debtors also believe that the value of any distributions to each Class of Allowed Claims in a chapter 7 case, including all Secured Claims, would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. In the event litigation was necessary to resolve claims asserted in a chapter 7 case, the delay could be prolonged and administrative expenses increased.

XI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. General

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan. The following summary does not address the federal income tax consequences to holders whose Claims are unimpaired or otherwise entitled to payment in full in Cash under the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), existing and proposed Treasury regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof. Changes or new interpretations of these rules may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested an opinion of counsel with respect to any of the tax aspects of the Plan. In addition, the Debtors have not requested a ruling from the IRS concerning the federal income tax consequences of the Plan, and the consummation of the Plan is not conditioned upon the issuance of any such ruling. Thus, no assurance can be given as to the interpretation that the IRS or a court of law will adopt.

This summary does not address state, local or foreign income or other tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign persons, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, real estate investment trusts, tax-exempt entities other than SVCMC, persons holding a Claim as part of a hedging, straddle, conversion or constructive sale transaction or other integrated investments, traders in securities that elect to use a mark-to-market method of accounting for their security holding, certain expatriates or former long term residents of the United States, pass-through entities or investors in pass-through entities). **Accordingly, the following summary is for informational purposes only and is not a substitute for careful tax planning and advice based upon the particular circumstances pertaining to a holder of a Claim.**

B. Consequences to SVCMC

SVCMC is a not-for-profit corporation that is exempt from federal income taxation under section 501(c)(3) of the IRC. It is intended that nothing in the Plan shall adversely affect, or be interpreted inconsistently with, the Tax-Exempt Status of Post-Effective Date SVCMC, and the Plan provides that Post-Effective Date SVCMC will retain its Tax-Exempt Status to the same extent such status existed immediately prior to the Petition Date. Accordingly, SVCMC does not expect the implementation of the Plan to have any adverse federal income tax consequences to the Tax-Exempt Status of Post-Effective Date SVCMC. If the Tax-Exempt Status of Post-Effective Date SVCMC were to terminate, Post-Effective Date SVCMC would be subject to tax on its income, which would reduce the amount of distributions payable to the Liquidating Trust. The implementation of the Plan may result in the reduction in the basis of assets retained by the Post-Effective Date SVCMC. Such reduction may increase any gain realized by the Post-Effective Date SVCMC on a sale or other disposition of such assets. If SVCMC retains its Tax-Exempt Status and such assets are regarded as debt-financed property (which generally would not include property substantially all the use of which is substantially related to the exercise or performance by Post-Effective Date SVCMC of the purpose or function constituting the basis for its Tax-Exempt Status), Post-Effective Date SVCMC may be subject to tax on a percentage of the income (including gain) derived from such assets.

C. Consequences to the Holders of Claims

The following discussion does not necessarily apply to holders who have Claims in more than one class relating to the same underlying obligation (such as where the underlying obligation serves as the basis for a Claim that has been bifurcated into a Secured Claim and a

General Unsecured Claim. Such holders should consult their tax advisors regarding the effect of such dual status obligations on the federal income tax consequences of the Plan to them.

1. Gain or Loss

In general, each holder of a Claim will recognize gain or loss equal to the difference, if any, between (i) the "amount realized" by such holder in satisfaction of its Claim (other than amounts, if any, paid in respect of any Claim for accrued but unpaid interest and other than any amounts treated as imputed interest as further described below) and (ii) such holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). A holder's "amount realized" generally will equal the sum of cash and fair market value of the undivided interest in the Liquidating Trust Assets received by such holder. For a discussion of the federal income tax consequences to holders of any Claim for accrued but unpaid interest, see below.

As discussed below (see "Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests"), the Liquidating Trust is intended to be treated as a "grantor trust" for federal income tax purposes, of which the holders of Allowed Claims, whether Allowed on or after the Effective Date, are the grantors. Accordingly, each holder of an Allowed Claim is intended to be treated and, pursuant to the Plan and the Liquidating Trust Agreement, is required to report for federal income tax purposes, as directly receiving, and as a direct owner of, its respective share of the Liquidating Trust Assets, except as otherwise discussed below (see "Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests"). Pursuant to the Plan and Liquidating Trust Agreement, the Trustee will make a good faith valuation of the Liquidating Trust Assets, and all parties must consistently use such valuation for all federal income tax purposes.

It is possible that a holder of an Allowed Claim may be treated for tax purposes as receiving additional distributions subsequent to the Effective Date as a result of (i) additional contributions made by Post-Effective Date SVCMC to the Liquidating Trust and/or (ii) any subsequently disallowed Disputed Claims or unclaimed distributions. In that event, the holder may be treated as having received additional amounts in respect of its Allowed Claim, and the imputed interest provisions of the IRC may apply to treat a portion of such later distributions to a holder as imputed interest. In addition, it is possible that any loss realized by a holder in satisfaction of an Allowed Claim may be deferred until all subsequent distributions are determinable.

Except as otherwise noted above, after the Effective Date, any amount a holder of an Allowed Claim receives as a distribution from the Liquidating Trust in respect of its beneficial interest in the Liquidating Trust should not be included, for federal income tax purposes, in the holder's amount realized in respect of its Allowed Claim since such holder would already be regarded for federal income tax purposes as owning the underlying assets (and would already have realized any associated income). See "Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests" below.

Where gain or loss is recognized by a holder in respect of its Allowed Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary

income or loss will be determined by a number of factors, including, among others, the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, and whether and to what extent the holder had previously claimed a bad debt deduction in respect of such Claim. A holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the IRC. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

2. Distributions in Discharge of Accrued Interest or OID

Pursuant to the Plan, all distributions in respect of any Claim will be allocated first to the principal amount of such Claim, as determined for federal income tax purposes, and thereafter, to the remaining portion of such Claim (including the interest portion thereof), if any. However, there is no assurance that such allocation will be respected by the IRS or a court of law for federal income tax purposes.

In general, to the extent that any distribution to a holder of a Claim is received in satisfaction of interest or original issue discount ("OID") accrued or amortized during the time such holder held the Claim, such amount will be taxable to such holder as interest income (if not previously included in such holder's gross income). Conversely, a holder will generally recognize a deductible ordinary loss to the extent of any Claim for accrued interest that previously was included in its gross income and that is not paid in full. However, the treatment of unpaid OID that was previously included in income is less clear. The IRS has privately ruled that a holder of a debt obligation in an otherwise tax-free exchange could not claim a current deduction with respect to any unpaid OID. Accordingly, it is possible that, by analogy, a holder of a Claim in a taxable exchange would be required to recognize a capital loss, rather than an ordinary loss, with respect to any previously included OID that is not paid in full. Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of accrued but unpaid interest or OID for federal income tax purposes.

3. Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests

Upon the Effective Date, the Liquidating Trust will be established for the benefit of the holders of Allowed Unsecured Claims, whether Allowed on or after the Effective Date.

The Liquidating Trust is intended to qualify as a liquidating trust for federal income tax purposes. In general, a liquidating trust is not a separate taxable entity, but rather is treated for federal income tax purposes as a "grantor trust" (*i.e.*, a pass-through entity), such that the holders of beneficial interests therein are treated as owning an undivided interest in the assets of the trust. However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Liquidating Trust will be structured with the intention of complying with such general criteria. Pursuant to the Plan and

Liquidating Trust Agreement, and in conformity with Revenue Procedure 94-45, all parties are required to treat, for federal income tax purposes, the Liquidating Trust (except in respect of any Liquidating Trust Assets allocable to Disputed Claims) as a grantor trust of which the beneficiaries of the Liquidating Trust are the owners and grantors. The discussion herein assumes that the Liquidating Trust will be so respected for federal income tax purposes. However, no ruling has been requested from the IRS, and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. Were the IRS to successfully challenge the trust classification (including because Post-Effective Date SVCMC has the continuing obligation to make additional contributions to the Liquidating Trust), the federal income tax consequences to the Liquidating Trust and the holders of Claims may vary from those discussed herein, including the potential for an entity level tax on any income of the Liquidating Trust. Holders of Allowed Claims are urged to consult with their tax advisors regarding potential alternative characterizations.

(a) General Tax Reporting by the Liquidating Trustee and Beneficiaries of the Liquidating Trust

For all federal income tax purposes, all parties must treat each transfer of Liquidating Trust Assets to the Liquidating Trust in accordance with the terms of the Plan.

Pursuant to the Plan and Liquidating Trust Agreement, each transfer of Liquidating Trust Assets (other than any assets allocable to Disputed Claims) to the Liquidating Trust is treated, for federal income tax purposes, as a transfer of such assets directly to the holders of Claims that constitute beneficiaries of the Liquidating Trust in partial satisfaction of their Claims (with each beneficiary of the Liquidating Trust receiving an undivided interest in such assets in accordance with their economic interests in such assets), followed by the transfer by the beneficiaries of the Liquidating Trust to the Liquidating Trust of such assets in exchange for the beneficial interests in the Liquidating Trust. Accordingly, all parties must treat the Liquidating Trust as a grantor trust, of which the beneficiaries of the Liquidating Trust are the owners and grantors, and treat the beneficiaries of the Liquidating Trust as the direct owners of an undivided interest in Liquidating Trust Assets (other than any assets allocable to Disputed Claims), consistent with their economic interests therein, for all federal income tax purposes. The economic interests of holders of Unsecured Claims will be determined with respect to their interest in the Unsecured Claims Fund (other than any assets allocable to the reserve for Disputed Unsecured Claims.) It is unclear whether a holder of an Unsecured Claim will be required to treat cash distributed from the Disputed Claims Reserve to the Unsecured Claims Fund (other than assets allocated to the reserve for Disputed Unsecured Claims (x) as an additional "amount realized" with respect to its Claim, thereby resulting in additional gain (or reduced loss) on its Claim at such time, or (y) an "amount realized" respect to its interest in the Liquidating Trust.

Pursuant to the Plan and Liquidating Trust Agreement, the Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets. All parties must consistently use such valuation for all federal income tax purposes.

Allocations of the Liquidating Trust's taxable income (other than income attributable to assets in the Disputed Claims Reserve or reserve for Disputed Unsecured Claims) among the beneficiaries of the Liquidating Trust shall be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued at their tax book value and other than assets allocable to Disputed Claims) to the beneficiaries of the Liquidating Trust, in each case up to the tax book value of the assets treated as contributed by such beneficiaries of the Liquidating Trust, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. The tax book value (or tax basis) of the Liquidating Trust Assets for this purpose shall equal their fair market value on the date such assets are transferred to the Liquidating Trust, adjusted in accordance with tax accounting principles prescribed by the IRC, applicable Treasury regulations, and other applicable administrative and judicial authorities and pronouncements.

Taxable income or loss allocated to a beneficiary of the Liquidating Trust will be treated as income or loss with respect to such beneficiary's undivided interest in the Liquidating Trust Assets, and not as income or loss with respect to its prior Allowed Claim. The character of any income and the character and ability to use any loss will depend on the particular situation of the beneficiary of the Liquidating Trust.

The federal income tax obligations of a beneficiary of the Liquidating Trust are not dependent on the Liquidating Trust distributing any Cash or other proceeds. Therefore, a beneficiary of the Liquidating Trust may incur a federal income tax liability with respect to its allocable share of Liquidating Trust income even if the Liquidating Trust does not make a concurrent distribution to the beneficiary of the Liquidating Trust. In general, other than in respect of Liquidating Trust Assets allocable to Disputed Claims, a beneficiary of the Liquidating Trust should not be separately taxable on a distribution from the Liquidating Trust since the beneficiary of the Liquidating Trust already is regarded for federal income tax purposes as owning the underlying assets (and was taxed at the time the income was earned or received by the Liquidating Trust).

The Liquidating Trustee will file with the IRS returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Liquidating Trustee also shall annually send to each beneficiary of the Liquidating Trust a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all of the beneficiaries of the Liquidating Trust to report such items on their federal income tax returns or to forward the appropriate information to such beneficiary's underlying beneficial holders with instructions to report such items on their federal income tax returns.

(b) Tax Treatment of the Disputed Claims Reserve and Reserve for Disputed Unsecured Claims

The Liquidating Trustee shall (x) treat the Liquidating Trust Claims Reserve and the reserve for Disputed Unsecured Claims as "disputed ownership funds" governed by Treasury

Regulation section 1.468B-9 by timely making an election, and (y) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

The Disputed Claims Reserve and the reserve for Disputed Unsecured Claims will be subject to tax annually on a separate entity basis on any net income earned with respect to the Liquidating Trust Assets allocable thereto. A disputed ownership fund is taxed in a manner similar to either a corporation or a "qualified settlement fund," within the meaning of applicable Treasury Regulations, depending on the nature of the assets transferred to it. It is expected that the Disputed Claims Reserve and the reserve for Disputed Unsecured Claims will be taxed as qualified settlement funds (taxable at the maximum rate applicable to trusts and estates, currently 35%) because all of the assets transferred to them should be treated as passive assets. All distributions from either the Disputed Claims Reserve or the reserve for Disputed Unsecured Claims to holders of Allowed Claims (which distributions will be net of the related expenses of the reserve) will be treated as received by such holders in respect of their Claims as if distributed by the Debtors. All parties will be required to report for tax purposes consistently with the foregoing.

Holders of Allowed Claims should consult their tax advisors with respect to the federal income tax consequences of becoming a beneficiary of the Liquidating Trust.

D. Information Reporting and Withholding

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding obligations (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then-applicable rate (currently 28% through December 31, 2012). Backup withholding generally applies if the holder: (i) fails to furnish its social security number or other taxpayer identification number ("TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is such holder's correct number and that such holder is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, applicable Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among others, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these Treasury Regulations and require disclosure on the holders' federal income tax returns.

E. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XII. RECOMMENDATION AND CONCLUSION

The Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives and is in the best interests of all creditors. The Debtors urge all creditors entitled to vote to return their Ballots evidencing their acceptance of the Plan.

Respectfully Submitted,

SAINT VINCENT CATHOLIC MEDICAL
CENTERS OF NEW YORK
(on its own behalf and on behalf of its
affiliated Debtors)

By: /s/ Steven R. Korf
Name: Steven R. Korf
Title: Chief Financial Officer