IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON TEXAS

IN RE:

SBMC HEALTHCARE, LLC	§	**CASE NO. 12-33299-4-11**
	§	**Chapter 11**
DEBTOR	§	
	§	**JUDGE JEFF BOHM**

DISCLOSURE STATEMENT FOR PLAN OF LIQUIDATION BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

Dated: March 8, 2013

HALL ATTORNEYS
A Professional Corporation

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ATTORNEYS FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

DISCLAIMER

THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") AND ITS RELATED DOCUMENTS ARE BEING USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING THE CHAPTER 11 PLAN OF LIQUIDATION, AND AS MAY BE FURTHER AMENDED (THE "PLAN"), DATED March 8, 2013 PROPOSED BY THE OFFICIAL COMMITTEE OF THE UNSECURED CREDITORS (THE "COMMITTEE").

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE CHAPTER 11 CASE AND FINANCIAL INFORMATION. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN OR SUCH STATUTORY PROVISIONS, DOCUMENTS OR FINANCIAL INFORMATION THAT RELATE TO AND/OR AFFECT THE PLAN AND ITS POTENTIAL CONFIRMATION, BUT IS RATHER INTENDED ONLY TO AID AND TO SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN (WHICH IS ATTACHED HERETO AS EXHIBIT A). IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN SHALL GOVERN. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS IN VOTING CLASSES ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS ATTACHED HERETO, BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE SOLICITATION PERIOD PURSUANT TO THE *ORDER: (I) GRANTING MOTION TO CONTINUE PLAN CONFIRMATION HEARING; AND (II) SETTING DEADLINES ON ALL PLANS AND DISCLOSURE STATEMENTS* BY THE BANKRUPTCY COURT WILL EXPIRE AT 5:00 P.M. (CENTRAL TIME) ON MARCH 18, 2013 (THE "VOTING DEADLINE"). TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED IN ACCORDANCE WITH THE VOTING INSTRUCTIONS BY THE COMMITTEE'S COUNSEL ON OR BEFORE THE VOTING DEADLINE, PLEASE SEE SECTION I.B OF THIS DISCLOSURE STATEMENT FOR VOTING INSTRUCTIONS. BALLOTS WILL BE ACCEPTED VIA U.S. MAIL, FACSIMILE, AND/OR ELECTRONIC MAIL/EMAIL.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE BANKRUPTCY RULES AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED AS AN ADMISSION, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING.

IF THE BANKRUPTCY COURT CONFIRMS THE PLAN AND IT BECOMES EFFECTIVE, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS (INCLUDING THOSE WHO REJECTED OR WHO ARE DEEMED TO HAVE REJECTED OR ACCEPTED THE PLAN AND THOSE WHO DID NOT SUBMIT BALLOTS TO ACCEPT OR TO REJECT THE PLAN) SHALL BE BOUND BY THE TERMS OF THE PLAN.

TO THE HONORABLE JEFF BOHM, CHIEF UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors of SBMC Healthcare, LLC files this Disclosure Statement for its Plan of Liquidation as follows:

I. INTRODUCTION

A. General

SBMC Healthcare, LLC ("SBMC" or "Debtor") filed its petition for relief under Chapter 11 of Title 11 of the United States Code (as amended the "Bankruptcy Code") on April 30, 2012 (the "Petition Date"). The Committee was appointed by the United States Trustee on June 27, 2012, to represent the interests of the unsecured creditors of the Debtor.

The Committee submits this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code, for use in the solicitation of votes on its Plan of Liquidation (the "Plan"). A copy of the Plan is attached as Exhibit A to this Disclosure Statement. All capitalized terms not otherwise defined in this Disclosure Statement shall have the meanings set forth in the Plan and the Bankruptcy Code.

This Disclosure Statement sets forth certain information regarding the Debtor's prepetition operating and financial history, its need to seek Chapter 11 protection, significant events that have occurred during its Chapter 11 case, and the alternatives to either the Plan or liquidation pursuant to the Bankruptcy Code. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, the effect of confirmation of the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Interests entitled to vote under the Plan must follow for their votes to be counted.

All creditors should read this Disclosure Statement in conjunction with the Plan.

B. Voting Instructions and Procedures

1. Voting Procedures, Ballots and Voting Deadline

With respect to Classes of Claims and Equity Interests that are Impaired under the Plan, each holder of an Allowed Claim or Interest in such a Class will receive this Disclosure Statement, including the Plan, the notice of Confirmation Hearing, and a Ballot for voting the acceptance or rejection of the Plan (unless deemed to reject the Plan).

Under the Plan, all holders of Claims against the Debtor in Classes 1-6 and 8-13 (the "Voting Classes") are Impaired and entitled to vote on the Plan except a determination of whether a Class accepts the Plan may not include the vote of any insider. Holders of Interests in Class 7 and 14 are Unimpaired under the Plan and deemed to have accepted the Plan. For a

description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Article V of the Plan, Treatment of Classes of Claims and Equity Interests.

Only Persons who hold Claims or Equity Interests on the Record Date (as defined below) are entitled to receive a copy of this Disclosure Statement. Only Persons who hold Claims in the Voting Classes on the Record Date are entitled to vote on whether to accept the Plan.

Separate pre-addressed return envelopes have been supplied for the Ballots. Holders of Allowed Claims and Allowed Equity Interests in the Voting Classes should take care to use the proper pre-addressed envelope to ensure that Ballots are returned to the proper address. Please carefully follow the directions contained with each Ballot. PLEASE CAREFULLY FOLLOW THE DIRECTIONS CONTAINED ON EACH ENCLOSED BALLOT. ALL VOTES TO ACCEPT OR TO REJECT THE PLAN MUST BE CAST BY USING THE BALLOT ENCLOSED WITH THIS DISCLOSURE STATEMENT.

In order for a Ballot to be counted, it must be completed, signed, returned pursuant to the Ballot instructions, and received by Counsel for the Committee (the "Balloting Agent") by the Voting Deadline (5:00 p.m. Prevailing Central Time on March 18, 2013). An envelope addressed to Hall Attorneys, P.C. is enclosed for your convenience.

BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED. COUNSEL FOR THE COMMITTEE MUST RECEIVE THE BALLOT BY THE VOTING DEADLINE AT ONE OF THE FOLLOWING PLACES:

If by U.S. Mail or Hand Delivery:
Hall Attorneys, P.C.
Attn: Nicholas Hall
701 Brazos Street, Suite 500
Austin, Texas 78701

If by Facsimile:
Facsimile: (512) 692-2833

If by Electronic Mail:
E-mail: nhall@hallattorneys.com

If you are a holder of an Allowed Claim or Allowed Equity Interest in a Voting Class and (i) did not receive a Ballot, (ii) received a damaged Ballot, (iii) lost your Ballot, (iv) have any question about balloting procedures, or (v) wish to obtain an additional copy of the Plan or this Disclosure Statement including the Solicitation Package, it can be obtained by accessing the Committee's website at http://sbmc.creditorinfo.com and clicking on the Documents tab, or you may request a copy at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)) from Counsel for the Committee at:

Hall Attorneys, P.C.
Attn: Nicholas Hall
701 Brazos Street, Suite 500
Austin, Texas 78701
Facsimile: (512) 692-2833
E-mail: nhall@hallattorneys.com

ONLY PROPERLY COMPLETED AND SIGNED BALLOTS RECEIVED BY THE BALLOTING AGENT PRIOR TO THE VOTING DEADLINE WILL BE COUNTED FOR PURPOSES OF DETERMINING WHETHER EACH VOTING CLASS HAS ACCEPTED THE PLAN. ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTORCOMMITTEE. BALLOTS RECEIVED BY FACSIMILE OR ELECTRONIC MAIL WILL BE COUNTED.

The Committee will prepare and file with the Bankruptcy Court a certification of the results of the balloting with respect to the Plan.

Your vote on the Plan is important. The Bankruptcy Code requires as a condition to confirmation of a plan that each class that is impaired under such plan vote to accept such plan, unless the "cram down" provisions of the Bankruptcy Code are satisfied.

2. Voting Record Date

The record date for voting on the Plan is 5:00 p.m. CT on March 18, 2013, (the "Record Date"). Only holders of Claims and Equity Interests in the Voting Classes as of the Record Date are entitled to vote to accept or reject the Plan.

3. Incomplete Ballots

Any Ballot received that is not signed or does not indicate either an acceptance or a rejection of the Plan shall be an invalid Ballot and shall not be counted for purposes of determining acceptance or rejection of the Plan.

4. Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Committee in its sole discretion, whose determination will be final and binding. Unless the Ballot being furnished is timely filed by the Voting Deadline, together with any other documents required by such Ballot, the Committee may reject such Ballot as invalid and, therefore, decline to use it in connection with seeking confirmation of the Plan by the Bankruptcy Court. In the event of a dispute with respect to a Ballot, any vote to accept or reject the Plan cast with respect to such Ballot will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise. The Committee reserves the right to reject any and all Ballots not in proper form. The Committee reserves the right to waive any defects or irregularities or conditions of delivery as to any

particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Committee, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with delivery of a Ballot must be cured within the time as the Committee (or the Bankruptcy Court) determine. Neither the Committee nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failing to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived.

5. Withdrawal of Ballot

All properly completed, valid Ballots will be irrevocable upon the Voting Deadline. Prior to the Voting Deadline, any holder of a Claim who has delivered a valid Ballot may withdraw its vote by delivering a written notice of withdrawal to the Balloting Agent so as to be received by the Balloting Agent before the Voting Deadline. To be valid, the notice of withdrawal must (a) describe the Claim to which it relates, (b) be signed by the party who signed the Ballot to be revoked, and (c) be received by the Balloting Agent by the Voting Deadline. Withdrawal of a Ballot can only be accomplished pursuant to the foregoing procedure. Prior to the Voting Deadline, any holder of a Claim who has delivered a valid Ballot may change its vote before the Voting Deadline. In the case where more than one timely, properly completed Ballot for the same Claim(s) is received by the Voting Deadline, only the Ballot that bears the latest date will be counted. After the Voting Deadline, a vote of the holder of a claim may only be changed or withdrawn with the authorization of the Bankruptcy Court upon a showing of "cause" pursuant to Bankruptcy Rule 3018(a).

C. Confirmation Hearing and Summary of Plan

The Official Committee of Unsecured Creditors (the "Committee") represents all unsecured creditors, including creditors that have priority claims for their unpaid wages (the "Unsecured Creditors"). Even though SBMC Healthcare, LLC (the "Debtor" or "SBMC") is proposing a Plan of Reorganization (the "Debtor's Plan"), the Committee is proposing this Plan of Liquidation (the "Plan").

Upon the Effective Date, which is 14 days after Confirmation of the Plan, all assets of the Debtor, including but not limited to the Hospital Property, all Cash, accounts receivable, personal property, Assets, and causes of action will be transferred to a Liquidating Trust for the benefit of all creditors of the Debtor, including Administrative, Priority, Secured Claims and the Unsecured Creditors. The Plan provides for full payment in Cash on the Effective Date to Allowed Administrative Claims from Cash on hand of the Debtors unless another agreement is reached with the Administrative Claimants. On the Effective Date, a Liquidating Trustee will be appointed and governed by a Liquidating Trust Agreement (herein referenced to as the "Trust Agreement" and attached to the Plan as Exhibit "A"). Existing equity interests in the Debtors will receive nothing under this Plan unless all Allowed Claims are paid in full.

The Hospital Property will continue to be marketed for sale by the Liquidating Trustee. If a Motion to Sell the Hospital Property or an exclusive Asset Purchase Agreement to sell the Hospital

Property has not been approved by the Bankruptcy Court by the Effective Date, the Liquidating Trustee will continue to market the Hospital Property with a closing date of no later than June 15, 2013 (the "Closing Deadline"), unless extended by the Bankruptcy Court.

Any sale of the Hospital Property will be subject to Bankruptcy Court approval upon notice to creditors of the Debtor.

After the Confirmation Date of the Plan, all objections to Claims and all Causes of Action, Avoidance Actions, and Subordination Claims shall be prosecuted by the Liquidating Trustee. The Liquidating Trustee may object to the allowance of Claims for which liability, in whole or in part, is disputed for whatever reasons, even if Claims were not scheduled by the Debtors as disputed, contingent or unliquidated. All objections to Claims must be filed within one hundred and eighty (180) days following the Effective Date of the Plan, unless extended by the Bankruptcy Court.

The Bankruptcy Court will hold a hearing on Confirmation of the Plan (the "Confirmation Hearing") commencing at 10:00 a.m. prevailing Central Time on March 26, 2013. before the Honorable Jeff Bohm, Chief United States Bankruptcy Judge for the Southern District of Texas, Houston Division, Courtroom 600, 515 Rusk Avenue, Houston, Texas 77002.

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing. The Confirmation Hearing may be continued from time to time as necessary. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each of the Voting Classes, (ii) hear and determine objections, if any, to the Plan and to confirmation of the Plan that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objections must be filed and served upon the Persons designated in the notice of the Confirmation Hearing, in the manner and by the deadline described therein.

D. Recommendation of the Committee.

The Committee recommends that holders of Claims entitled to vote on the Plan vote to ACCEPT the Committee's Plan.

II. CERTAIN EVENTS PRECEDING THE DEBTOR'S CHAPTER 11 FILING

A. Business, Corporate and Financial Overview

SBMC is a Texas limited liability company that was formed on October 19, 2010. The Manager of SBMC Healthcare, LLC is McVey & Co. Investments, LLC. Marty McVey is the sole member and 100% equity owner of SBMC Healthcare, LLC.

SBMC Healthcare, LLC purchased the assets from Spring Branch Medical Center, Inc., an HCA affiliate, in February 2011. The purchase included approximately 22 acres of real property and the improvements thereon (the "Property"), including a 6 story hospital the ("Hospital"). SBMC, as part of the purchase price, executed a note secured by a deed of trust.

The Debtor alleges that it undertook to preserve the Hospital operations as a critical care facility and that the revenue that the Debtor had expected to receive from care of patients relying on governmental and charitable organizations was not as originally expected. A dispute arose between the Debtor and Spring Branch Medical Center, Inc., relating to obligations under the Asset Purchase Agreement and related note to the seller. The parties entered into a Confidential Mutual Release, Settlement Agreement And Amendment to the Asset Purchase Agreement signed February 10, 2012.

On or about February 10, 2012, Spring Branch Medical Center, Inc. and HCA Healthcare Services of Texas, Inc. executed Releases of Lien which were filed of record in the Real Property Records of Harris County, Texas. Such Releases acknowledge that the Debtor had paid the $14,951,101.00 note dated February 11, 2011, related to the purchase of the Property in full.

Between March 28 to March 30, 2012, SBMC terminated employees and ceased rendering a substantial number of Hospital services. Because SBMC was in default of its financial obligations its lender, Harborcove Financial LLC, posted its collateral for foreclosure on May 1, 2012.

B. Significant Pre-Petition Loan Obligations

The Debtor entered into loans to provide with the following entities:

1. The Virgo Loan

On or about July 19, 2011, SBMC executed a promissory note in the amount of $200,000 payable to Virgo Finance Company, LLC ("Virgo"). That note is secured by a Deed of Trust recorded under Clerk's File No. 20110308017 covering the real property on which the Medical Office Building is located. The Virgo loan was in default at the Petition Date. The Virgo loan has since been paid.

2. Frost National Bank Loan

On or about June 1, 2011, the Debtor obtained a loan from Frost National Bank (the "Frost") in the original principal amount of $745,963.54. The Frost loan was secured by a security agreement granting Frost a security interest in and to the Debtor's equipment and proceeds thereof. As part of the sale of the Debtor's equipment to Centurion Service Group LLC ("Centurion") approved by the Court on or about May 2, 2012, the amount due and owing to Frost was paid in full.

3. Harborcove Loan

On or about November 1, 2011, SBMC entered into a Credit and Security Agreement with Harborcove Financial LLC ("Harborcove") with an initial "Facility Cap" of $3,000,000.00. The Harborcove loan was initially secured by the Debtor's healthcare receivables, contracts, certain accounts, equipment and all other personal property. On or about December 26, 2011, as a result of temporary increase in obligations, the Debtor executed a Deed of Trust to secure the Harborcove obligations. The Deed of Trust covers all of the Property owned by the Debtor and is a first lien on all such Property except for the Medical Office Building where the lien is a second lien. In March 2012, Harborcove instituted a lawsuit against SBMC in State district court. SBMC and Harborcove entered into a temporary injunction barring SBMC from selling or disposing of its equipment. On April 5, 2012, Harborcove accelerated SBMC's indebtedness and posted the Property for foreclosure sale to take place on Tuesday, May 1, 2012.

On or about April 24, 2012, SBMC entered into a sale of equipment and auction agreement with Centurion by which Centurion would pay SBMC the sum of $2.75 million dollars. The agreement required that SBMC obtain releases from Frost and Harborcove of their lien interests in the equipment. Ultimately, by April 29, 2012, SBMC and Harborcove were unable to agree on an amount for the release of Harborcove's lien indebtedness. With the foreclosure to occur in two (2) days, on April 30, 2012, the Debtor filed its voluntary Chapter 11 Petition initiating this Case.

Harborcove asserts that the debt due and owing to it as of the Petition Date is the amount of $1,985,073.37. The Debtor disputes this amount. Over the period of this Chapter 11 case, SBMC has made over $700,000.00 in payments to Harborcove.

The Debtor and Harborcove may seek to compromise and settle the disputed Secured Claim amount of Harborcove and have the Claim Allowed, as of September 30, 2012, a sum taking into account amounts the Debtor contested and disputed. In the event that the settled Allowed Claim of Harborcove is not paid on or before July 1, 2013, Harborcove may proceed to post the real property subject to its Deed of Trust lien for foreclosure. If there is no settlement between the Debtor and Harborcove, the Claim of Harborcove could be determined to be substantially greater. As a part of any settlement currently between the parties, Harborcove has agreed to support the Committee's Plan and the treatment it is afforded in such Plan unless otherwise ordered by the Bankruptcy Court. The Plan further discusses the details of the possible settlement in Section 10.11 of the Plan.

4. Loan with Westlane Capital, LP

On or about January 25, 2012, SBMC borrowed $350,000 from Westlane Capital, LP. ("Westlane"). To secure the obligation, SBMC executed a Deed of Trust granting Westlane a security interest and lien upon Tracts 1, II, II, IV and V and Lot 2 of SBMC's real property. That Deed of Trust was recorded as Clerk's File No. 20120040706 in the Real Property Records of Harris County, Texas. On or about February 1, 2012, SBMC obtained a further loan in the amount of $500,000 from Westlane. To secure the additional extension of credit by Westlane, SBMC executed an Amended and Restated Deed of Trust covering Tracts I, II, III IV and V for

accrued and unpaid interest. The Westlane loan has received some adequate protection payments and $100,000.00 out of the sale of the MOB Property.

C. Other Events Leading to Chapter 11 Filing

Harborcove and SBMC failed to agree on an amount to be paid to Harborcove so that the sale of the medical equipment to Centurion could take place and the posted foreclosure averted. Therefore, the Debtor filed for bankruptcy.

D. Prepetition Assets of the Debtor

The Debtor alleges that it owns/owned several assets as follows:

- Hospital Property appraised at $19.2 million.
- Medical Office Building Property ("MOB Property") appraised at $1.45 million. The Debtor closed a signed Asset Purchase Agreement for $1.250 million and the net sales proceeds after payment of closing costs, Virgo and other creditors was approximately $450,000.00.
- Self-pay patient receivables for medical services rendered currently total $9,801,895.80 (not including insurance or charity) of which the Committee estimates a possible recovery of 1% or less.
- Two S10 pickup trucks scheduled as worth $2,000.
- Non-medical equipment scheduled to be worth $200,000.
- Various licenses and other intangibles are valued and included in the Hospital Property as it was appraised as an operating facility.
- Various bank accounts which the Debtor uses to pay for expenses, but operations are funded by Post-Petition financing.
- Various litigation that is described herein.
- Possible litigation claims pursuant to Chapter 5 of the Bankruptcy Code and applicable State and Federal law.

III. EVENTS DURING THE CHAPTER 11 CASE

A. Continuation of Business

On the Petition Date, SBMC filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Subsequent to the Petition Date, SBMC has continued to operate as debtor-in-possession subject to the supervision of the Bankruptcy Court.

B. Centurion Sale

Prepetition, SBMC had entered into an agreement with Centurion to sell its medical equipment for $2.75 million and to permit the auction of the medical equipment with a recovery percentage for SBMC if the auction resulted in a sum greater than $3.05 million dollars. On

May 2, 2012, SBMC filed its motion to auction its equipment through an auction company other than Centurion. After receiving certain representations and assurances from Centurion, SBMC amended its motion to sell the equipment under a revised agreement with Centurion. The Court approved the sale of the medical equipment to Centurion and approved the assumption of the Centurion contract.

Prior to the auction taking place, Centurion asserted that it had not received all the medical equipment to which it was entitled because SBMC had sold several pieces of equipment shortly before the Petition Date and had failed to disclose that to Centurion. Centurion contends that such equipment was part of the equipment governed by the assumed Centurion contract.

C. Use of Cash Collateral

SBMC, in conjunction with its motion to sell its equipment, also filed its motion to be permitted to use cash collateral, *i.e.*, the sale proceeds received from the Centurion sale. The Order entered by the Court approving the Centurion sale required SBMC to pay certain lien creditors, including Frost and certain ad valorem lienholders asserting a security interest or lien upon the equipment being sold. Although Harborcove held a lien upon the equipment being sold, Harborcove did not receive payment on its lien from the equipment sale proceeds other than from budgetary disbursements made subsequently thereto.

SBMC has utilized cash collateral primarily to maintain the Hospital as an operational facility and to meet administrative expenses. SBMC has made various monthly adequate protection payments to Harborcove and a payment to Westlane as part of the cash collateral orders. The Court approved all monthly budgets which have been mostly funded out of the Debtor-in-Possession financing.

D. Obtaining Debtor-in-Possession Financing

By mid-October, SBMC had exhausted its available cash collateral. A sale of the Hospital Property is not expected to close before confirmation of the Plan, and SBMC had to obtain debtor-in-possession financing sufficient to finance SBMC's operations until a sale could be concluded.

SBMC retained Transwestern to aid it in obtaining post-petition financing. Transwestern found a potential financing source with Graham Mortgage Corporation ("Graham") provided a loan application that would have provided a loan of $2.5 million over a 6 month period. The financing had approximately 3% of the total loan in fee costs which brought the available cash down to less than $2.1 million. On October 17, the Court heard SBMC's Emergency Motion to incur post-petition financing. Although the Court approved the post-petition financing allowing the Debtor to incur financing with Graham, subsequently, the Debtor, the Committee and the Secured Creditors were not able to agree on the financing order and loan documentation terms with Graham.

Thereafter, SBMC reached an agreement with Briar Capital, L.P. for that entity to provide a 6 month loan in the amount of $2.5 million. The interest rate and overall fee cost resulted in a better financing offer than Graham's offer, so SBMC obtained Court approval for

that debtor-in-possession financing. The negotiated loan documents with Briar Capital were approved and the loan (the "Briar Capital Loan") closed on November 16, 2012. No more than $350,000.00 is available for monthly draws during the term of the Briar Capital Loan. The Briar Capital Loan will mature on its own terms in May 2013. However, the failure of SBMC to close the sale of the Hospital Property would also be an event of default. Should the Briar Capital Loan mature, Briar Capital may exercise its contractual and statutory remedies at law without further order of the Court. Those remedies include, but are not limited to, posting real property subject to the Deed of Trust lien granted Briar Capital for foreclosure.

The Briar Capital Lien remains in full and effect. Through February 2013, the Debtor has drawn $1,451,719.36 in funds from the Briar Capital Loan. No more than $350,000.00 is available for monthly draws on the loan during the term of the Briar Capital Loan.

E. Centurion Holdback and Assertion of Administrative Expense

Centurion claimed that it was harmed by the Debtor having sold certain medical equipment prepetition after the Debtor entered into a pre-petition agreement with Centurion (which it could not perform), but which agreement, as modified, was approved by the Court post-petition. As has been addressed herein, SBMC sold the medical equipment to Centurion for $2.75 million. Prior to the auction of the medical equipment purchased, Centurion claimed that it had suffered damages of $310,000.00. Further, Centurion claimed, after learning of the prepetition sale, that it was entitled to recover the amount of the damages it had allegedly sustained by not having such equipment to sell and that the alleged damages constituted an administrative claim. As a result of the Centurion's asserted claim and its objection to SBMC's use of cash collateral, by agreement, the Debtor has held back and continues to hold back the sum of $310,000.00 from cash collateral usage. SBMC has never agreed with Centurion's position.

SBMC filed a complaint to recover money and for declaratory judgment against Centurion on August 16, 2012, initiating Adversary No. 12-03385 ("Centurion Adversary"). In the Centurion Adversary, SBMC sought, among other things, to recover damages to the Radiology Building estimated in the amount of $550,000. SBMC claims that those damages were sustained during the removal of equipment overseen by and ordered by Centurion. Centurion has denied that it caused or is responsible, in any way, for the damage. Judge Bohm set the hearing on the Centurion Motion and trial of the Centurion Adversary for December 4, 2012. On September 14, 2012, Centurion filed its Motion to Dismiss the adversary objecting to the jurisdiction of the Bankruptcy Court. The Agreement by and between SBMC and Centurion provided that for Illinois law to control as well being the venue for any litigation. On or about October 26, 2012, Judge Bohm held that the litigation should be heard in Illinois, but also abated Centurion's administrative expense motion pending resolution of the Illinois action.

On November 26, 2012, Centurion Service Group, LLC, filed an amended verified complaint against SBMC Healthcare, LLC, McVey & Co. Investments, LLC, Marty McVey and Richard S. Garfinkel in the United States District Court for the Northern District of Illinois, Eastern Division. The amended complaint asserts a cause of action for an alleged breach of contract against SBMC resulting in damages in the amount of $279,450 plus attorneys' fees and

costs and allowed interest. It also seeks a declaratory judgment against McVey and Garfinkel asserting that the release of the guaranty was allegedly fraudulently obtained and that the guaranty is still in force and effect.

It is too early in the litigation to assess the likelihood of recovery by either side.

Further, to the extent that the Illinois litigation delays implementation of the Plan, it is likely that SBMC and/or the Liquidating Trustee or other parties in interest will seek to set an amount for Centurion's Disputed Claim. It is also likely that SBMC or other parties in interest will seek to have Centurion's Disputed Claim estimated under Section 502(c) of the Bankruptcy Code in accordance with the Plan.

F. Appointment of the Official Committee of Unsecured Creditors

On or about June 27, 2012, the U.S. Trustee appointed an Official Committee of Unsecured Creditors (the "Committee") and amended the appointment to include additional Committee members on August 14, 2012. The Committee members as of the date of this Disclosure Statement are: Greater Houston Emergency Physicians, PLLC; Advanced Radiation Physics Service, Inc.; G.E. Healthcare; RSR Enterprises, LLC; and HEJDI Inc., d/b/a/ Allied Health Services.

The Committee sought to have its attorneys appointed. On July 25, 2012, this Court entered an order approving the retention of Hall Attorneys, P.C. as Committee Counsel. The Committee Counsel can be contacted as follows:

Hall Attorneys, P.C.
Nicholas Hall
701 Brazos Street, Suite 500
Austin, Texas 78701
Telephone: (512) 551-3041
Email: nhall@hallattorneys.com
http://sbmc.creditorinfo.com

G. Pre and Post Petition Litigation

The Committee has not been extensively involved in all of the litigation that involves the Debtor. The information below is a compilation of allegations and information provided by the Debtor and a very basic understanding of the litigation by the Committee.

1. Reedy/Bell WARN Act and ERISA Litigation

In April 2012, an attorney representing two (2) employees terminated in late March by SBMC filed a WARN Act suit asserting claims under the WARN Act as a class action against SBMC and McVey & Co. Investments, LLC in the United States District Court for the Southern District of Texas.

On August 7, 2012, Judge Sim Lake entered an Order of Partial Dismissal that stated that SBMC was dismissed from the WARN Act Lawsuit, but that the plaintiffs could reinstate the action upon notice to the court that the automatic stay was no longer in effect.

On June 21, 2012, an attorney representing the employees terminated in late March by SBMC filed an ERISA class action lawsuit against Marty McVey, McVey & Co. Investments, LLC, Christopher Ashby, Connie Lockhart and Richard Garfinkel asserting that the defendants failed to apply amounts deducted from plaintiff's paychecks to the insurance premiums. SBMC was initially a party, but because the filing of the litigation occurred after SBMC had filed its Bankruptcy Petition, SBMC was dismissed from the litigation.

On August 24, 2012, Judge Sim Lake held a hearing on the WARN Act Litigation. At the hearing, Judge Lake ordered that the WARN Act Litigation, ERISA Lawsuit and additional WARN Act suit brought by an additional two (2) former employees as another class action lawsuit, pending as H-12-2066 in the Federal District Court for the Southern District of Texas–Houston, were to be consolidated into one action. The Debtor maintains that the post-petition actions brought are still subject to the provisions of the automatic stay and that the plaintiffs are in violation of the stay in pursuing the action.

Plaintiff Reedy, a WARN Act claimant, timely filed a Proof of Claim on behalf of herself and as a class representative in the amount of $1,280,889.32. SBMC and the Reedy/Bell Claimants resolved the WARN Act Claims for an amount not greater than $250,000, including attorneys' fees in the amount of $110,000. The ERISA Litigation is still pending.

2. Reedy/Bell Motion for Relief from Stay

On July 19 2012, Laura Reedy and Windley Bell ("Reedy/Bell Claimants") filed a Motion for Relief from Stay seeking the Court to lift the automatic stay to permit WARN Act Litigation to proceed against SBMC. The Motion was passed to a final hearing that occurred on August 15, 2012. Judge Bohm ruled that the automatic stay would remain in force and effect until October 14, 2012, at which time the automatic stay will lift to permit the WARN Act Litigation to proceed in the District Court. SBMC contends that the pursuit of any post petition ERISA claims consolidated into that District Court action violate the automatic stay.

3. Luby's Litigation

On or about July 11, 2011, SBMC had entered into a Food Services Agreement with Luby's Fuddruckers Restaurant, LLC ("Luby's") for Luby's to provide food service at the Hospital. Pursuant to the Agreement, Luby's agreed to make capital expenditures for personal property and equipment in the amount of $250,000.00. Luby's filed its UCC-Financing Statement on February 11, 2012, asserting a security interest in certain equipment. On February 7, 2012, Luby's filed its Mechanic's and Materialmen's Lien claim in the amount of $202,062.08 and terminated its Agreement. About the same time, Luby's removed personal property and equipment from the Hospital. Luby's then filed its lawsuit bearing Cause No. 2012-10011 in the 189th Judicial District Court of Harris County, Texas, against SBMC and McVey & Co. Investments, LLC asserting a claim for $472,526.01.

After the Petition Date, on or about May 15, 2012, Luby's filed its motion seeking to sever SBMC from the State court litigation. The State district court subsequently severed SBMC out of the Luby's Litigation setting up a separate file number for the case to proceed against McVey & Co.

On July 27, 2012, SBMC filed its complaint against Luby's initiating Adversary No. 12-3320 seeking an order compelling Luby's to turn over the property it removed or have the value of such property determined as an offset to Luby's claims (the "Turnover Complaint"). The Debtor also removed the pending State court litigation to the Bankruptcy Court and sought consolidation of those actions with the Turnover Complaint. Luby's filed its Motion to Remand the actions against McVey & Co. SBMC has subsequently, amended its complaint against Luby's to include Avoidance Actions. On or about October 18, 2012, Judge Bohm ruled that the litigation Luby's had brought against McVey & Company Investments would be remanded to State court, but the Luby's action against SBMC removed from State court would be retained and consolidated with Adversary No. 12-3320.

4. Spring Branch Medical Center, Inc.

On or about July 30, 2012, Spring Branch Medical Center, Inc. filed a complaint seeking declaratory relief as to the ownership of $744,761.84 that were distributed pursuant to a settlement agreement between the United States Department of Health and Human Services, the Secretary of Health and Human Services, the Center for Medicare & Medicaid Services and spring Branch Medical Center, Inc. This action concerns a dispute regarding the ownership of the aforementioned funds. Both parties to the dispute assert ownership of said funds.

Additional information regarding this matter may be found in the complaint and answer filed at Adversary No. 12-03325. The Debtor and Spring Branch Medical Center have entered into a settlement that is further described in the Plan.

5. Behavioral Medicine of Houston, P.A.

On or about April 12, 2011, SBMC entered into a Lease Agreement with Behavioral Medicine of Houston for lease of the 6th Floor of the Hospital (the "Lessee"). According to such Lessee, the Lessee obtained financing for the build-out of the lease space from Regions Bank and, in connection with the financing, purportedly gave Regions Bank a lien interest in the fixtures. Through November 2012, the Lessee paid its monthly lease payments to SBMC, but there were disputes between SBMC and the Lessee as to whether various covenants of the Lease have been breached by the other party. The Lessee has filed a Proof of Claim in the amount of $8,140,000.00. The Debtor objected to the Proof of Claim.

At a hearing regarding discovery disputes, the Court determined that BMH's Pre-Petition Claim was estimated under 11 U.S.C. § 502(c) to be $10,000, set a final hearing on the Objection to Claim, granted SBMC's discovery objections and requested that the Motion be withdrawn without prejudice. The Objection to Claim that the Debtor has filed contesting the Lessee's Proof of Claim is set for final hearing on May 21, 2013.

6. Accounts' Receivable Litigation

On or about October 2, 2012, SBMC filed a complaint seeking payment for services rendered by SBMC to insureds of United Healthcare of Texas, Inc. ("United") that remain unpaid. SBMC has asserted cause of action for breach of contract, quantum meruit, equitable relief and attorneys' fees seeking a total of $82,786.98 in unpaid receivables. On November 12, 2012, United filed its answer denying the allegations and asserting its affirmative defenses. SBMC believes that it will prevail on its breach of contract and other actions against United. As with all litigation, there are significant downsides and risks and SBMC cannot speculate as to what amount, if any, it may recover.

On or about October 11, 2012, SBMC filed a complaint seeking payment for services rendered by SBMC to insureds of Wellcare Health Plans of Texas, L.L.C. ("Wellcare") that remain unpaid. SBMC has asserted cause of action for breach of contract, quantum meruit, equitable relief and attorneys' fees seeking a total of $39.664.10 in unpaid receivables. The lawsuit has been dismissed without prejudice.

7. Chapter 5 Litigation and Other Possible Litigation

The Liquidating Trust assets shall include, but are not limited to, Subordination Claims and Causes of Action arising under Chapter 5 of the Bankruptcy Code, including those actions which could be brought under §§ 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 which may be brought against any entity for, among other things, equitable subordination or receiving a transfer from the Debtor during the four years prior to bankruptcy, including but not limited to Insiders, Management, employees, officers, Affiliates, Affiliates of Insiders of the Debtor and equity holders of the Debtor. They also include all applicable State and Federal court causes of action.

The Committee anticipates that the Liquidation Trust may pursue litigation related to causes of action under State law, Federal law, Subordination Claims and Chapter 5 of the Bankruptcy Code.

The Committee has not conducted any substantial analysis as to whether any of the payments reflected within 90 days or one year of the filing of this Bankruptcy Case as set forth on Exhibit 3(b) to the Debtor's Amended Statement of Affairs would constitute preferential transfers or what Avoidance Actions and Subordination Claims may be brought.

The Committee has advised the Debtor that it has not been able to sufficiently review the books and records of the Debtor; and therefore, the Committee reserves all rights for the Liquidating Trustee to assess and bring any and all Subordination Claims and Causes of Action arising under Chapter 5 of the Bankruptcy Code, including those actions which could be brought by the Debtor under §§ 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 which may be brought against any entity for, among other things, equitable subordination or receiving a transfer from the Debtor during the four years prior to bankruptcy, including but not limited to Insiders, Management, employees, officers, Affiliates, Affiliates of Insiders of the Debtor and equity holders of the Debtor. They also include all applicable State and Federal court causes of action.

8. Other Litigation

There was other prepetition litigation pending in the various courts of Harris County, all of which have been listed on the Debtor's Statement of Financial Affairs at Section 4.a.

H. Expiration of Exclusivity Period

Pursuant to Section 1121 of the Bankruptcy Code SBMC as a debtor-in-possession had an exclusive period of 120 days to file its plan of reorganization and an additional 60 days to obtain confirmation of that plan. The Committee agreed with the Debtor to extend that time period and the Court entered an order extending the exclusive period for SBMC to file its plan of reorganization until October 1, 2012, and extending the exclusive confirmation deadline until December 1, 2012. The Court set the Disclosure Statement hearing for December 12, 2012, outside of the 60 day extension, so under those circumstances SBMC could not complete confirmation of its proposed Plan within the extension period. Although SBMC sought a further extension of the exclusivity period, the Court did not grant a further extension, but held that the Debtor's plan would proceed first for consideration of confirmation. Extension of the exclusivity period has expired, and the Committee is filing the Plan.

I. Claims Filing Deadline

The Reedy/Bell Claimants filed a motion to extend the deadline for filing Proofs of Claim against this Estate. The deadline for filing non-governmental Proofs of Claim was set by the Court for September 12, 2012. After hearing the Reedy/Bell Motion, the Court refused to extend the September 12, 2012 deadline. The time for filing non-governmental Proofs of Claim against this estate has passed.

J. Retention of Professionals

The Court approved the retention of the law firm of Marilee A. Madan, P.C., and its principal, Marilee A. Madan, as the general bankruptcy counsel to represent the Debtor.

The Court also approved the retention of Millard A. Johnson and the law firm of Johnson DeLuca Kurisky & Gould, P.C., as special bankruptcy counsel for Debtor.

On or about June 19, 2012, this Court approved the retention of Transwestern as the broker to have exclusive rights to market the Debtor's real property for a limited period of time. Eric Johnson, who is the Managing Director of the Healthcare Advisory Services department, and Scott Carter are the primary employees of Transwestern in charge of marketing the Hospital and Medical Office Building Property. By mid-July, Transwestern had set up its data room and put together marketing brochures and has actively marketed the Property since that time. Transwestern was also approved to assist the Debtor with obtaining post-petition financing. SBMC ultimately obtained financing from a company not introduced by Transwestern and thus no brokerage fees were incurred for the financing.

The Court approved the retention of The Gerald A. Teel Company as the appraiser for SBMC. Mr. Teel, a well-known and highly qualified appraiser holding an MAI designation among many other designations, rendered an appraisal of both the Medical Office Building Property and the Hospital Property. The Gerald A. Teel Company has been paid $15,000 for the rendering of the appraisals. Mr. Teel will be filing a fee application based on his hourly rate for time spent in testifying before the Court.

On or about July 2012, the U. S. Trustee appointed certain creditors as members to the Official Committee of Unsecured Creditors. The Committee selected and the Court appointed Hall Attorneys, P.C., as counsel to represent the Committee.

On August 15, 2012, the court approved the employment of Lawrence J. Beardsley, CPA, Inc. as an accountant for SBMC to prepare the 2011 annual Medicare and Medicaid cost report for a flat fee. Mr. Beardsley will be filing a fee application to obtain payment of the flat fee. Also on the 15, the Court entered an order approving the employment of Briggs & Veselka Co. as accountants to prepare the 2011 annual tax return for SBMC. Briggs & Veselka Co. received a $10,000 retainer for their services but must file a fee application with the Court to obtain payment of the charges made on an hourly fee basis. On March 1, 2013, SBMC filed an application to expand the employment of Briggs & Veselka Co. to allow it to also prepare the 2012 tax returns. That application is currently pending.

The Committee requested that BMC Group, Inc. be employed to assist the committee with its duties to provide notice to creditors and on August 20, 2012, the Court approved such employment. BMC receives payment on a monthly basis for its web-hosting fees which are approximately $250.00 a month. BMC must file a fee application to receive payment of all other compensation.

K. Patient Records

SBMC has patient records from services rendered at the Hospital subsequent to its acquiring the Property and commencing Hospital operations. Additionally, there are records stored at a storage facility that pre-date SBMC's Hospital operations, but for which it may be responsible under the Asset Purchase Agreement with Spring Branch Medical Center, Inc. Section 351 of the Bankruptcy Code sets forth an arduous method of disposing of patient records where the Debtor or Trustee does not have sufficient funds to pay for storage of the records. The Bankruptcy Code grants a superpriority administrative expense for the maintenance of such records.

The storage of the Patient Records is further discussed in the Plan regarding the settlement with Spring Branch Medical Center.

L. Classification of Claims

Section 1122 of the Bankruptcy Code provides that, except for certain claims classified for administrative convenience, a plan may place a claim or interest in a particular class only if such claim or interest is substantially similar to the other claims or interest of such class. The

Bankruptcy Code also requires that a plan provide the same treatment for each claim of a particular class unless the holder of a particular Claim agrees to a less favorable treatment of its Claim. The Plan divides Claims and Equity Interests in the Debtor into the following Classes:

Class 1 – Priority Claims under Section 507(a)(4)

Class 2 – Priority Claims under Section 507(a)(5)

Class 3 – Post-Petition financing Claim of Briar Capital, L.P.

Class 4 – Secured Claim of Harris County (ad valorem taxes)

Class 5 – Secured Claim of Spring Branch Independent School District "SBISD") and Spring Branch Management District ("SBMD")

Class 6 – Secured Claim of Harborcove Financial, LLC ("Harborcove")

Class 7 – Secured Claim of Virgo Finance Company, LLC ("Virgo")

Class 8 – Secured Claim of Westlane Capital, LP ("Westlane")

Class 9 – Secured Claim of Texas Workforce Commission ("TWC")

Class 10 – Secured Claim of City of Houston Wastewater

Class 11 – Secured Claim of Judgment Lien Holders

Class 12 – Secured Claim of Mechanic's and Materialmen Claimants

Class 13 – Unsecured Claims

Class 14 – Equity

For a description of the treatment of the Claims and Equity Interests and a summary of distributions under the Plan, *see* Article V, "Provisions for Treatment of Classes of Claims."

A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such other Classes.

M. Treatment of Claims and Equity Interests and Summary of Distributions Under the Plan

Under the Plan, Claims against and Equity Interests in the Debtor are divided into different Classes. Only Allowed Claims and Allowed Equity Interests are entitled to receive

Distributions under the Plan. The following is a description of the Plan's treatment of Claims against and Equity Interests in the Debtors. A more detailed description of treatment of all Claims is discussed in the Plan.

1. Administrative Expense Claims

a. *Allowed Administrative Expense Claims*

Subject to the provisions contained in the Plan, unless otherwise agreed in writing by the Debtor or Plan or Liquidating Trustee and the holder of an Allowed Administrative Expense Claim, the Debtor or Liquidating Trustee shall pay to each holder of an Allowed Administrative Expense Claim an amount equal to its Allowed Administrative Expense Claim on the earlier of (a) the Effective Date or as soon thereafter as is practicable, (b) within thirty (30) days after the date on which such Administrative Expense Claim becomes an Allowed Administrative Expense Claim by the entry of a Final Order and the funds are available, and (c) if funds are available, the date the Debtor or Liquidating Trustee is otherwise obligated to pay such Administrative Expense Claim in accordance with the terms and provisions of the particular transactions giving rise to such Claim, the terms and provisions of the Plan and any order of the Bankruptcy Court relating thereto.

b. *Requests for Allowance of Administrative Expense Claims*

Except as expressly set forth to the contrary in the Plan, each Person, including each Professional, shall file an application for an allowance of an Administrative Expense Claim in conformity with the following:

(i) Professionals. All Professionals shall file a final application for the allowance of a Fee Claim on or before thirty (30) days following the Effective Date of the Plan. Objections to any Fee Claim must be filed and served on the Debtor, the Liquidating Trustee, the Committee, the Secured Creditors and any party requesting notice no later than twenty-one (21) days after the filing of the applicable request for payment of the Fee Claim.

(ii) Administrative Claims. All requests for payment or any other means of preserving and obtaining payment of Administrative Expense Claims, that have not been paid, released or otherwise settled, including all requests for payment of Professional Fees, must be filed with the Bankruptcy Court and served upon counsel for the Committee and the Liquidating Trustee no later than the Administrative Expense Claims Bar Date. The Administrative Expense Claims Bar Date shall be thirty (30) days after the Effective Date. Any request for payment of Administrative Expense Claims excluding Ordinary Course

Administrative Claims that are not filed by the Administrative Expense Claims Bar Date will be forever disallowed and barred, and holders of such Claims will not be able to assert such Claims in any manner against the Estate, the Debtor, any Purchaser, or Liquidating Trustee or any of their respective Affiliates or Representatives.

Ordinary Course Administrative Claims do not include any post-petition claims for salary, or other expenses of insiders, Affiliates, officers, management, and equity holders incurred prior to or on the Effective Date. To recover any such post-petition claims or disallowed budgetary expenses such parties are required to file an appropriate motion for allowance of such Ordinary Course Administrative Claims. The Ordinary Course Administrative Expense Claims Bar Date shall be thirty (30) days after the Effective Date. Any request for payment of Ordinary Course Administrative Expense Claims that are not filed by the Ordinary Course Administrative Expense Claims Bar Date will be forever disallowed and barred, and holders of such Claims will not be able to assert such Claims in any manner against the Estate, the Debtor, any Purchaser, the Liquidating Trust or Liquidating Trustee or any of their respective Affiliates or Representatives.

2. Priority Tax Claims

Priority Tax Claims are unsecured income and other taxes as described by Section 507(a)(8) of the Bankruptcy Code. Each holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, release and discharge of and in exchange for such Claim, the amount of such Allowed Priority Tax Claim, in deferred cash payments, over a period not exceeding five (5) years after the date of assessment of such claim, of a value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim. The Plan reserves the right to pay Section 507(a)(8) Claims from cash available from sale of any part of the Property after payment of any closing costs and Allowed Secured Claims; providing however, that sufficient funds as has been determined by the Court are set aside for Allowed Claims holding a priority superior to the Priority Tax Claims.

Any Allowed Secured ad valorem tax Claims outstanding to the ad valorem taxing authorities as set forth in Classes 4 and 5 hereafter shall remain attached to the respective real property and shall be satisfied with statutory interest (as determined by this Court) from the sales proceeds realized from sale of the Hospital Property. To the extent that a portion of the Hospital Property is sold, and in the event that the Debtor or Liquidating Trustee and the Taxing Authorities cannot agree on the tax apportionment, the Court shall determine what amount shall be allocated to any Allowed ad valorem tax Claims (looking to the tract account assessments by such taxing authorities) and the Lien granted Spring Branch ISD and Spring Branch Management District in that Agreed Order Regarding Ad Valorem Taxes and Resolving Claim Objection [Docket No. 768]) and, upon payment of that amount, the lien of any Allowed Secured

Tax Claimant shall be released as to the portion of the Hospital Property, but shall be retained as to any other Property upon which the lien has attached.

The treatment of the Tax Claims is further discussed in Article V of the Plan.

3. Summary of Classification and Treatment of Holders of Allowed Claims and Equity Interests

The following table sets forth a brief summary of the classification and treatment of Claims and Equity Interests and the estimated Distributions to the holders of Allowed Claims that are placed in Classes under the Plan. The information set forth in the tables is for summary and convenience of reference only. **Each holder of a Claim or Equity Interest should refer to Article V of the Plan, "Provisions for Treatment of Classes of Claims" for a more detailed analysis of their Class.** The estimates set forth in the table may differ from actual distributions due, among other things, to variations in the amount of Allowed Claims, the existence and resolution of Disputed Claims and certain risk factors potentially impacting recoveries under the Plan.

Class Description	***Treatment Under the Plan***
Administrative Claims Estimated Amount: $865,000.00, at least, plus any Broker fee Centurion Disputed Claim = $310,000.00 or more as asserted in pending in Illinois Federal District Court litigation	Unimpaired.
Priority Tax Claims Estimated Amount: $2,279,000.00	Impaired.
Ad Valorem Tax Claims Estimated Amount: Harris County – $242,037.21 Spring Branch ISD – $316,139.95 Spring Branch Mgmt. Dist. – $20, 995.04	Impaired. Class 3 and 4 retain liens, paid out of closing of the Hospital Property. Debtor contests the amount of the claims and expects the total of the claims to be less.
Class 1 – Priority Claims under § 507(a)(4) Limited to $11,725.00 Estimated Amount: Unpaid Wage Claims –$623,000.00 WARN Act Disputed Claims – capped at $250,000, including the $110,000 attorneys' fees.	Impaired. Paid out of closing of the Hospital Property from Liquidating Trust. As soon as practical after Effective Date, the Liquidating Trustee shall pay in Cash, to the extent available, each holder of an Allowed Priority Claim after the payment of superior claims.

Class 2 – Priority Claims under § 507(a)(5) Limited to $11,725.00 Estimated Amount – $30,000.00	Impaired. Paid out of Hospital Property sale proceeds from Liquidating Trust. The Court may be required to estimate any amount, if any, necessary to address any Claims based on pending Federal court ERISA claims. As soon as practical after Effective Date, the Liquidating Trustee shall pay in Cash, to the extent available, each holder of an Allowed Priority Claim, after the payment of superior claims.
Class 3 – Post-petition financing Claim of Briar Capital, L.P. estimated at $1,475,000.00	Unimpaired. Paid out of closing of the Hospital Property or through exercising of their contractual rights.
Class 4 – Secured Claim of Harris County (ad valorem taxes)	Impaired. Paid out of closing of the Hospital Property. Debtor contests the amount of the Claims filed by Harris County and Committee expects the total of the Claims to be less. The Class 4 lien shall be retained until the Hospital Property is sold and the Allowed Secured Claim paid.
Class 5 – Secured Claim of Spring Branch Independent School District and Spring Branch Management District	Impaired. Paid out of closing of the sale of the Hospital Property. Debtor has contested the amount of the Claims and Committee expects the total of the Claims to be less. The Class 5 lien shall be retained until the Hospital Property is sold and the Allowed Secured Claim paid.
Class 6 – Harborcove Secured Claim Claimed Amount as of Petition Date – $1,981,193.00	Impaired. Class 6 Allowed Secured Claim to be paid out of proceeds of the sale of the Hospital Property. The amount shown due and owing as of the Petition Date is disputed by the Debtor. If Disputed, the Class 6 Claim will be paid upon Allowance as soon as is practicable. Until the Allowed Secured Claim, when determined, is paid, Class 6 will retain its lien on the Hospital Property or the Proceeds thereof in its present priority.

Class 7 – Virgo Secured Claim Estimated amount – $0.00.	Unimpaired. Class 7 Allowed Secured Claim was paid out of Proceeds of sale of MOB Property.
Class 8 – Westlane Secured Claim Estimated amount – $850,000.00 plus interest	Impaired. Class 8 Allowed Secured Claim to be paid out of Proceeds of sale of the Hospital Property. Class 8 will retain its lien on the Hospital Property in the priority to which it is entitled.
Class 9 – Secured Claim of Texas Workforce Commission $96,679.60.	Impaired. Class 9 Allowed Secured Claim is to be paid out of Closing of sale of the Hospital Property. Debtor contests the amount of the Claim and Committee expects the total of the Claim to be less. The lien of Class 9 shall be retained in order of its priority until the Class 9 Allowed Secured Claim is paid.
Class 10 – Secured Claim of City of Houston Wastewater $131,407.09	Impaired. The Class 10 Allowed Secured Claim will be paid out of Closing of sale of the Hospital Property. Debtor contests the amount of the Claim and Committee expects the total of the Claim to be less. The Class 10 lien shall be retained in order of its priority until the Class 10 Allowed Secured Claim is paid.
Class 11 – Judgment Lien Claims Estimated Amount ($70,000 is in dispute): $94,479.47	Impaired. Class 11 Allowed Judgment Lien Claims to be paid out of Proceeds of sale of the Hospital Property. To the extent that Liquidating Trustee contests the amount of the Claims or has avoidance action against such Claims, the Class 11 Claim lien shall be retained in order of priority until the Class 11 Allowed Secured Claim is paid.

Class 12 – M & M Lien Claims	Impaired. Class 12 Allowed M & M Lien Claims to be paid out of Proceeds of sale of Hospital Property. Debtor contests the amount of some of the claims and Committee expects the total of the Claims to be less. The Class 12 Claims will retain their liens in order of priority until the Class 12 Allowed Secured Claims are paid.
Class 13 – General Unsecured Claims Estimated Amount – $4,265,641.28	Impaired. Each holder of a Class 13 Allowed Unsecured Claim shall receive its Pro Rata share up to the Allowed Amount of such Claimant's Allowed Claim from Proceeds of sale of Assets turned over to the Liquidating Trust, after payment of Allowed Administrative Claims, Allowed Secured Claims, Allowed Priority Tax and Ad Valorem Claims Allowed Claims (inclusive of, but not limited to, Allowed Claims in Classes 1 – 12) no later than 180 days from receipt of the funds into the Trust unless Court Ordered otherwise.
Class 14 – Equity Interests	Unimpaired. Distribution to Class 14 will occur after there is a determination of sufficient proceeds to pay Allowed Administrative Claims, Allowed Secured Claims, Allowed Priority Claims, Ad Valorem Tax Claims and Allowed Unsecured Claims in full.

Holders of Claims in Classes 1, 2, 4, 5, 6, 8, 9, 10, 11, 12 and 13 are Impaired by the Plan. Under Section 1126(f) of the Bankruptcy Code, holders of Equity Interests in Class 14 are conclusively deemed to have accepted the Plan.

2. Insider Claims Filed

McVey & Company Investments, L.L.C. is the managing member of SBMC Healthcare, LLC. Marty McVey ("McVey") is the equity owner of SBMC Healthcare, LLC. Because SBMC Healthcare owned a critical care hospital facility, McVey was the President and CEO of SBMC. Under SBMC's Articles of Formation and the Company Agreement, McVey and other officers may be indemnified for claims arising in connection with the performance of their duties as an officer in the scope of their employment. Also, McVey executed various guaranties of SBMC obligations, including the obligations evidenced by notes or other credit agreements with

Harborcove, Virgo and Tara Energy. McVey & Company Investments, L.L.C. has been sued by Luby's, by the WARN Act Litigation claimants, by GHEP and by Centurion. McVey has been sued individually in the WARN Act Litigation and by Virgo, GHEP, Tara Energy and Centurion. The following proofs of claim have been filed by officers of SBMC:

- On or about September 11, 2012 Christopher Ashby, the CFO to SBMC, filed a proof of claim in the amount of $50,000 as an unsecured claim for indemnification and contribution for expenses to defend various litigation claims. The claim is docketed as claim no. 236 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about July 22, 2012, Marty McVey, CEO and equity holder of SBMC, filed a proof of interest asserting that he owned 100% of the equity in SBMC Healthcare, LLC. The proof of interest is docketed as claim no. 147 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about September 11, 2012, Marty McVey, CEO and equity holder of SBMC, filed a proof of claim in the amount of $3,228,371.00 as an unsecured claim for indemnification and contribution for defending various litigation claims and for indemnification for litigation related to various guaranty agreements. The claim is docketed as claim no. 237 on the official claims register maintained in this Chapter 11 bankruptcy case.

- Also on or about September 11, 2012, Marty McVey filed a proof of claim in the amount of $2,089,341.62 as an unsecured claim for a note in the amount of $450,000 plus additional contributions or sums as have been advanced to SBMC Healthcare, LLC. The claim is docketed as claim no. 251 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about September 11, 2012 McVey & Co. Investments, LLC, manager of SBMC, filed a proof of claim in the amount of $1,999,326.20 as an unsecured claim for indemnification and contribution for defending various litigation claims and for indemnification for litigation related to various guaranty agreements. The claim is docketed as claim no. 238 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about September 11, 2012 Richard Garfinkel, the general counsel and VP to SBMC, filed a proof of claim in the amount of $50,000 as an unsecured claim for indemnification and expenses for defending various litigation claims and for indemnification for litigation related to various guaranty agreements. The claim is docketed as claim no. 239 on the official claims register maintained in this Chapter 11 bankruptcy case.

The Committee is considering various objections to these claims, including objections to allowance, amount, classification, categorization as debt rather than equity, and whether to pursue equitable subordination, meaning that the claims may not receive the same treatment and

priority as Classes 1, 2, and 13. The Liquidating Trustee may also object to the claims on the same basis.

N. Distribution Provisions

1. Distributions

All Distributions under the Plan shall be made either at closing of the sale of Hospital Property as to Secured Claims or shall be made by the Liquidating Trustee pursuant to the terms and provisions of the Plan; *provided, however,* that no Distribution shall be made on behalf of any Claim which may be subject to disallowance under Section 502(d) of the Bankruptcy Code.

2. Distributions of Cash

All Distributions of Cash to be made pursuant to the Plan shall be made by check or wire transfer from the Title Company (at closing of the sale of any Property), or from the Liquidating Trust account.

3. Distributions on a Subsequent Distribution Date

Pursuant to the provisions set forth in the Plan, when and to the extent that Cash or other Assets are available, the Liquidating Trustee shall distribute Cash to the holders of Claims entitled to Distributions under the Plan that were Allowed on or before the Effective Date or subsequently have become Allowed Claims in accordance with the Schedules, treatment and priority of Claims established by the Plan.

4. Distributions on the Final Distribution Date

Pursuant to the provisions set forth in the Plan, to the extent that Cash is available after distribution of any and all Assets to be distributed under the Plan, the Liquidating Trustee shall establish a final Distribution date (the "Final Distribution Date") upon which the Liquidating Trustee shall distribute such Cash or other Assets first to the holders of Claims entitled to Distributions under the Plan that are Allowed in accordance with the treatment and priority of Claims established by the Plan and any remainder to the Equity Interest holder.

5. Delivery of Distributions and Undeliverable Distributions

Distributions to the holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules unless superseded by the address as set forth on the Proof of Claim filed by such holder or by a written notice to the Liquidating Trustee providing actual knowledge to the Liquidating Trustee of a change of address. If an holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until the Liquidating Trustee is notified in writing within six months of the Distribution date of such holder's then current address, at which time all Distributions shall be made to such holder, without interest. All Claims for undeliverable Distributions shall be made within six months after the date such undeliverable Distribution was initially made. If any Claim for an

undeliverable Distribution is not timely made as provided herein, such Claim shall be forever barred with prejudice. After such date all unclaimed property shall be applied first to satisfy the costs of administering and fully consummating the Plan, then for Distribution in accordance with the Plan, and the holder of any such Claim shall not be entitled to any other or further Distribution under the Plan on account of such undeliverable Distribution or such Claim.

6. Time Bar to Cash Payments and Disallowances

Checks issued by the Liquidating Trustee in respect of Allowed Clams shall be void if not negotiated within six (6) months after the date of issuance thereof. Requests for reissuance of any check shall be made to the Liquidating Trustee by the holder of the Allowed Claim to whom such check originally was issued, on or before the expiration of six months following the date of issuance of such check. After such date, (a) all funds held on account of such void check shall be applied first to satisfy the costs of administering and fully consummating the Plan, then for Distribution in accordance with the Plan, (b) the Claim of the holder of any such void check shall be disallowed, and (c) such Claimant shall not be entitled to any other or further Distribution on account of such Claim.

7. Minimum Distributions

If a Distribution to be made to a holder of an Allowed Claim on any Distribution Date, excluding the Final Distribution Date, would be $25.00 or less, notwithstanding any contrary provision of the Plan, no Distribution will be made to such Claimant.

8. Transactions on Business Days

If the Effective Date or any other date on which a transaction, event or act may occur or arise under the Plan shall occur on Saturday, Sunday or other day that is not a Business Day, the transaction, event or act contemplated by the Plan to occur on such day shall instead occur on the next day which is a Business Day.

9. Distributions After Allowance

Distributions to each holder of a Disputed Claim, to the extent that such Claim ultimately becomes Allowed, shall be made in accordance with the provisions of the Plan governing the Class of Claims to which such holder belongs.

10. Disputed Payments

If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any Distribution, the Liquidating Trustee may, in lieu of making such Distribution to such Person, make such Distribution into an escrow account until the disposition thereof shall be determined by the Bankruptcy Court or by written agreement among the interested parties to such dispute.

11. No Distribution in Excess of Allowed Amount of Claim

Notwithstanding anything to the contrary herein, no holder of an Allowed Claim shall receive in respect of such Claim any Distribution in excess of the Allowed amount of such Claim.

O. Means for Execution of the Plan

1. Sale of Hospital Property.

The Plan is a liquidating plan for the sale of the Hospital Property to a third party purchaser. The Plan creates a Liquidating Trust and the appointment of a Liquidating Trustee on the Effective Date. All of the Assets and Hospital Property of the Estate are being vested into the Liquidating Trust upon the Effective Date. Until the Effective Date, the Debtor will remain vested with the powers of a debtor-in-possession and the Official Committee of Unsecured Creditors will remain an active Committee with all of its powers and duties. The Liquidating Trustee will oversee the sale of the Assets and Hospital Property. The Liquidating Trust will be in charge of making distributions on Allowed Claims.

In order to fund the Liquidating Trust prior to a closing on the Hospital Property, the Committee is in discussions with Briar Capital, the current post-petition DIP lender, regarding post-confirmation financing for the Liquidating Trust, subject to Court approval as necessary, and as more fully discussed in the Plan.

The Liquidating Trust will also be governed by Trust Agreement, attached as Exhibit A to the Plan.

a. *Responsibilities and Powers of the Liquidating Trustee*

In the exercise of its authority on behalf of the Plan estate, the Liquidating Trustee, upon appointment, shall have, consistent with other provisions of the Plan, the following responsibilities and powers: the sale of the Hospital Property, overseeing allowance of Claims and disbursement of the proceeds and liquidating of Assets, including through prosecution of Chapter 5 actions, including but not limited to, Causes of Action arising under Chapter 5 of the Bankruptcy Code, including those actions which could be brought by the Debtor under §§ 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 which may be brought against any entity for, among other things, equitable subordination or receiving a transfer from any of the Debtor during the four years prior to bankruptcy, including but not limited to management, Insiders, employees, officers, equity holders, Affiliates, and Affiliates of Insiders of the Debtor, and specifically including but not limited to Marty McVey, McVey & Company, LLC, SBMC Investments, LLC, Christopher Ashby and Richard Garfinkel. They also include all applicable State and Federal court causes of action if deemed beneficial to the Trust, placed into the Liquidating Trust for the benefit of holders of Allowed Claims. Once all of the Liquidating Trust Assets have been liquidated and the proceeds have been disbursed, the Liquidating Trustee shall file his final report and accounting along with any necessary tax returns and close the Trust. Specifically, the Liquidating Trustee shall:

1) Consult with the Debtor's representatives, the Committee, and others as the Liquidating Trustee deems reasonable and necessary in disposing of Assets and in pursuing litigation;

2) make all Distributions contemplated under the Plan;

3) establish and maintain any reserves called for under the Plan, and such other reserves as determined to be prudent and/or necessary with approval of the Court;

4) enter into any agreement required by or consistent with the Plan and perform any obligations thereunder;

5) participate as a party-in-interest in any proceeding before the Bankruptcy Court, or other court of competent jurisdiction, involving the Debtor and/or the Liquidating Trust;

6) employ such professionals, agents or employees (including retention of any Professionals retained during the Chapter 11 Case) as deemed necessary to carry out the provisions of the Plan and pay reasonable compensation to such persons from Assets of the Estates;

7) carry out and enforce the provisions of the Plan and consummate the Plan;

8) if necessary to perform his duties, propose any amendment, modification or supplement to the Plan;

9) exercise such other powers and duties as are necessary or appropriate in the Liquidating Trustee's discretion to accomplish the purposes of the Plan;

10) pursue any Right of Action of the Debtor and compromise and settle any Right of Action in a manner consistent with the Plan;

11) open and maintain bank accounts as necessary to effectuate the Plan, including accounts in the name of the Liquidating Trust;

12) carry insurance coverage, including fiduciary insurance, as is normal and customary and in such amounts as deemed advisable;

13) maintain appropriate records and account books relating to the consummation of the Plan, including records of all

Distributions made or contemplated under the Plan and all transactions undertaken by the Liquidating Trustee, acting as Liquidating Trustee; and

14) exercise such other powers and duties as are necessary or appropriate in the Liquidating Trustee's discretion to accomplish the purposes of the Plan:

(i) management of and control over the Assets of the Liquidating Trust, including pursuing financing;

(ii) consistent with maintaining the value and liquidating the Trust Assets, invest funds of the Estates consist with the guidelines established by the Office of the United States Trustee,

(iii) sell and dispose of the Assets of the Liquidating Trust, including abandoning any Assets that are burdensome to the Liquidating Trust;

(iv) when required, act in the name of or in the place of the Debtor in any action before the Bankruptcy Court and/or any other judicial or administrative body;

(v) pay all taxes, make all tax withholdings and file all tax returns and tax information that is necessary for any returns;

(vi) pay all lawful expenses, debts, charges and liabilities of the Debtor, if required, and the Liquidating Trust;

(vii) protect and defend any assets of the Liquidating Trust; and

(viii) maintain the Debtor's Records as necessary.

b. ***The Liquidating Trust and Trustee Terms***

The Plan and Trust Agreement attached to the Plan shall govern the Liquidating Trust and Trustee. For a comprehensive understanding of the terms of the Liquidating

Trust and powers of the Liquidating Trustee, please review the Plan and Trust Agreement attached to the Plan.

Assets of the Liquidating Trust shall include the right of Trustee to pursue actions against Persons or entities that pre or post-petition that caused harm to the Debtor, Avoidance Actions, and Subordination Claims. Claimants and other parties in interest are hereby expressly advised and notified that the Liquidating Trustee shall have the right to investigate, prosecute, enforce, settle, adjust, collect, or otherwise dispose of the Subordination Claims and Avoidance against, but not limited to Insiders, Management, Affiliates and Affiliates of Insiders of the Debtor.

c. ***Notice in Confirmation Order***

The Court shall include in the Confirmation Order appropriate provisions incorporating the terms set forth in the Plan including, but not by way of limitation, the survival of the Rights of Action from the defense of res judicata, waiver, laches, and estoppel as to the Rights of Action and any other unknown but later discovered Claim or Claims after Confirmation and the approval of a grant of derivative jurisdiction for the Liquidating Trustee to prosecute the Subordination Claims and Avoidance Actions on behalf of the Debtor.

d. ***Discretion to Pursue or Settle and Immunity of the Parties***

The Liquidating Trustee shall have discretion to pursue or not to pursue, to settle or not to settle, or to try or not to try, and/or to appeal or not to appeal the Subordination Claims and Avoidance Actions as he determine in the exercise of his/her business judgment and without any further approval of the Bankruptcy Court thereof. The Liquidating Trustee and his/her respective attorneys or other Professionals shall have no liability for the outcome of their decisions.

P. Conditions Precedent to Effectiveness of Plan

1. Conditions to the Effective Date

The Effective Date will not occur, and the Plan will not be consummated unless and until the following conditions have been satisfied or further ordered by the Court:

a. The Confirmation Order, with the Plan and all exhibits and annexes to each, shall have been entered by the Bankruptcy Court, and shall be a Final Order, and no request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending; provided, however, that if the Confirmation Order has not become a Final Order because a notice of appeal has been timely filed and the parties are not stayed or enjoined from consummating the Plan, the Plan shall be deemed satisfied unless the effect of the appeal could reasonably be expected to be adverse to the business, operations, property, condition (financial or otherwise) or prospects of the Liquidating Trust.

b. All actions, documents and agreements necessary to implement the Plan shall be in form and substance reasonably satisfactory to the Committee and shall have been effected or executed as applicable.

Q. Treatment of Executory Contracts and Unexpired Leases

1. Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Confirmation Order, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all remaining Executory Contracts and Unexpired Leases as such terms are used in Section 365 of the Bankruptcy Code that exist between the Debtors and any entity shall be deemed rejected as of the Effective Date, except for any Executory Contract or Unexpired Lease (i) that has been assumed, assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, or (ii) as to which a motion for approval of the assumption, assumption and assignment or rejection has been filed prior to the Effective Date. Any claims arising from the rejection of an Executory Contract or Unexpired Lease ("Rejection Claims") shall be classified in Class 13 under the Plan.

2. Bar Date for Filing Rejection Claims

A Proof of Claim asserting a Rejection Claim shall be filed with the Trustee on or before the thirtieth (30th) day after notice of rejection or be forever barred from assertion of any Rejection Claim against and payment from the Liquidating Trust.

3. Provisions Relating to Assumption Cure Claims

Any monetary amounts by which any executory contract and unexpired lease to be assumed under the Plan is in default shall be satisfied, under Section 365(b)(l) of the Bankruptcy Code, by the Debtor on or before the Effective Date; provided, however, if there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of a Liquidating Trustee or any assignee to provide "adequate assurance of future performance" (within the meaning of Section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, cure such dispute shall be resolved at the Confirmation Hearing.

R. Procedures for Resolving and Treating Disputed Claims

1. Objections to Claims

The Debtor and the Committee and after the Effective Date, the Liquidating Trustee, exclusively, shall have the right to object to Claims including but not limited to objections regarding the allowance, classification or amount of Claims, subject to the procedures and limitations set forth in the Plan, the Bankruptcy Rules, and the Bankruptcy Code. All such objections shall be litigated to a Final Order except to the extent the Committee or the Liquidating Trustee, in their discretion, elect to withdraw any such objection or compromise, settle or otherwise resolve any such objection, in which event the Liquidating Trustee may settle, compromise or otherwise resolve any Disputed Claim without approval of the Bankruptcy Court.

2. No Distribution Pending Determination of Allowance of Disputed Claims; Distributions to be Made on Undisputed Balances of Partially Disputed Claims

No proceeds shall be distributed under the Plan on account of any Disputed Claim, unless and until such Claim becomes an Allowed Claim.

3. Reserve Accounts for Disputed Claims

On or prior to the Distribution Date, the Liquidating Trustee with approval of the Court shall reserve Cash in an aggregate amount sufficient to pay each holder of a Disputed Claim (a) the amount of Cash that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Distribution Date, or (b) such lesser amount as the Court may estimate or may otherwise order (the "Disputed Claims Reserve").

4. Investment of Disputed Claims Reserve

The Liquidating Trustee shall be permitted, from time to time, to invest all or a portion of the Cash in the Disputed Claims Reserve in United States Treasury Bills (or in a fund that invests substantially all of its assets in United States Treasury securities), interest-bearing certificates of deposit, tax exempt securities or investments permitted by Section 345 of the Bankruptcy Code, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate risk. All interest earned on such Cash shall be held in the Disputed Claims Reserve and, after satisfaction of any expenses incurred in connection with the maintenance of the Disputed Claims Reserve, including taxes payable on such interest income, if any, shall be transferred out of the Disputed Claims Reserve and shall be used by the Liquidating Trustee in accordance with the Plan.

Certain claimants holding disputed administrative or priority claims are parties to pending litigation against SBMC in courts other than this Bankruptcy Court. In those pending cases, the claimant seeks to liquidate contingent or unliquidated claims. The Plan contemplates setting up a reserve for Disputed Claims, but also provides for this Bankruptcy Court to determine any contingent or unliquidated claim pursuant to Section 502(c) of the Bankruptcy Code. Section 502(c) states that the Court shall estimate for purpose of allowance (1) any contingent or unliquidated claim, the fixing or liquidation of which, as the case may be, would unduly delay the administration of the case; or (2) any right to payment arising from a right to an equitable remedy for breach of performance. Among Disputed Claims in this category are the claims asserted by Centurion and the Reedy/Bell insurance Claimants. The Court may decide, if requested, to estimate those claims under the Plan, as they affect distribution rights of other Classes of Creditors. The Committee cannot anticipate what action the Court will take.

5. Allowance and Payment

Except as otherwise provided herein, if, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall, within thirty (30) days after the date on which such Disputed Claim becomes an Allowed Claim or as soon thereafter as is practicable, and dependent on the Closing of the Hospital Property, and funds are available

distribute to the holder of such Allowed Claim the amount of distributions that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

6. Release of Excess Funds from Disputed Claims Reserve

If at any time or from time to time after the Effective Date, there shall be Cash in the Disputed Claims Reserve in an amount in excess of the amount which the Liquidating Trustee is required at such time to reserve on account of Disputed Claims under the Plan or pursuant to any order of the Bankruptcy Court, the Liquidating Trustee may release such funds, if available, to be distributed pursuant to the Plan.

7. Estimation

The Committee or 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 there has been a previous objection to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may 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 such Claim, the Liquidating Trustee may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved without further order of the Bankruptcy Court as provided in the Plan.

S. Modification of Plan

The Committee may propose amendments to or modifications of the Plan under Section 1127 of the Bankruptcy Code at any time prior to the entry of the Confirmation Order. After the Confirmation Date, the Committee or the Liquidating Trustee may remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and intent of the Plan so long as the interests of Claimants are not materially and adversely affected.

T. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, for United States federal income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

U. Post-Confirmation Actions, Reports and Final Decree

After the Effective Date, the following events shall occur:

1. Final Report

Before or upon completion of all distributions provided in the Plan, the Liquidating Trustee shall file a report of final distribution with the Bankruptcy Court, with service on the United States Trustee, and any Claimant who requests a copy of same.

2. Request for Post-Confirmation Notices and Filings

After the Effective Date, no Claimant will be served any notices, motions, reports or other filings in the Bankruptcy Court except as set forth in the Plan. Any Claimant or other party-in-interest who desires service of post-Effective Date notice(s) required in the Plan must deliver a written request to the Liquidating Trustee requesting service of such notices.

IV. CONFIRMATION OF THE PLAN

A. Introduction

The Bankruptcy Code requires a bankruptcy court to determine whether a plan complies with the technical requirements of chapter 11 of the Bankruptcy Code before such plan can be confirmed. It requires further that a disclosure statement concerning such plan is adequate and includes information concerning all payments made or promised by the plan proponent in connection with the plan. If the Plan is confirmed, the Committee expects the Effective Date to occur 14 days after confirmation. To confirm the Plan, the Bankruptcy Court must find that the requirements of the Bankruptcy Code have been met. Thus, even if the requisite vote is achieved for the Voting Classes, the Bankruptcy Court must make independent findings respecting the Plan's conformity with the requirements of the Bankruptcy Code before it may confirm the Plan. Some of these statutory requirements are discussed below.

B. Voting

Pursuant to the Bankruptcy Code, only holders of Allowed Claims or Equity Interests that are Impaired under the terms and provisions of the Plan and that receive distributions thereunder are entitled to vote for acceptance or rejection of the Plan. A holder of a Claim or Equity Interest whose legal, equitable, or contractual rights are altered, modified or changed by the proposed treatment under the Plan or whose treatment under the Plan is not provided for in Section 1124 of the Bankruptcy Code is considered Impaired. Pursuant to Section 1126(t) of the Bankruptcy Code, holders of Claims that are Unimpaired are conclusively presumed to have accepted the Plan and are not entitled to vote. Votes on the Plan will be counted only with respect of Allowed Claims that (i) belong to a Voting Class or (ii) are otherwise permitted by the Bankruptcy Code to vote.

C. Acceptance

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by holders of at least two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of claims of that class that actually vote excluding the vote of any Insider or Affiliate. The Bankruptcy Code defines acceptance of a plan by an impaired class of interests as acceptance by holders of at least two-thirds (2/3) in dollar amount of interests of that class that actually vote. Acceptance of a plan need only be solicited from holders of claims or interests whose claims or interests are impaired and not deemed to have rejected the Plan. Except in the context of a "cram down" pursuant to Section 1129(b) of the Bankruptcy Code, as a condition to confirmation of a plan the Bankruptcy Code requires that, with certain exceptions, each class of impaired claims or interests accepts the plan. In the event the requisite vote is not obtained as to a particular Class or Classes of Claims or Equity Interests, the Committee has the right, assuming that at least one Class of Impaired Claims or Equity Interests has accepted the Plan, to request confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan notwithstanding rejection by one or more classes of impaired claims or interests if the bankruptcy court finds that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the rejecting class or classes. This procedure is commonly referred to in bankruptcy parlance as "cram down." As such, if any Voting Class votes to reject the Plan, the Committee will request confirmation of the Plan under Section 1129(b) of the Bankruptcy Code. The Committee will proceed with a Section 1129(b) cram down if all classes do not vote to accept the Plan.

D. Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied with respect to the Plan. Section 1129(a) of the Bankruptcy Code requires that, among other things, for a plan to be confirmed:

1) The plan satisfies the applicable provisions of the Bankruptcy Code.

2) The proponent of the plan has complied with the applicable provisions of the Bankruptcy Code.

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

4) Any payment made or promised by the proponent under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been disclosed to the bankruptcy court, and any such payment made before the confirmation of the plan is reasonable, or if such payment is to be fixed

after confirmation of the plan, such payment is subject to the approval of the bankruptcy court as reasonable.

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

6) With respect to each class of impaired claims or interests, either each holder of a claim or interest in such class has accepted the plan, or will receive or retain under the plan on account of such claims or interests, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated on such date under chapter 7 of the Bankruptcy Code.

7) Each class of claims has either accepted the plan or is not impaired under the plan, subject to the cramdown provisions of the Bankruptcy Code.

8) Except to the extent that the holder of a claim has agreed to a different treatment of such claim, the plan provides that allowed administrative claims and priority claims (other than tax claims) will be paid in full on the effective date and that priority tax claims will receive on account of such claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such claim, of a value, as of the effective date, equal to the allowed amount of such claim.

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

10) 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.

Subject to receiving the requisite votes in accordance with Section 1129(a)(8) of the Bankruptcy Code and the "cram down" of Impaired Classes voting against the Plan or not receiving any Distribution under the Plan, the Committee believes that (i) the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, (ii) the Debtor has complied or will have complied with all of the requirements of chapter 11, and (iii) the Plan has been proposed in good faith.

Set forth below is a more detailed summary of the relevant statutory confirmation requirements.

1. Best Interests of Holders of Claims and Equity Interests

The "best interests" test requires that a bankruptcy court find either that all members of each impaired class have accepted the plan or that each holder of an allowed claim of each impaired class of claims will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each Impaired Class of Claims or Equity Interests would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Debtor's chapter 11 case was converted to a chapter 7 case under the Bankruptcy Code and the Debtor's Assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value of the Debtor would consist of the net proceeds from the disposition of the Debtor's Assets, augmented by any Cash held by the Debtor.

The Liquidation Value available to holders of Unsecured Claims and Equity Interests would be reduced, first, by the Claims of holders of Secured Claims to the extent of the value of their Collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 cases. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other Professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred in the Chapter 11 cases that are allowed in the Chapter 7 case, litigation costs and claims arising from the operations of the Debtor during the pendency of the Chapter 11 case. The liquidation itself could trigger certain Priority Claims, such as claims for severance pay.

The purpose of this Chapter 11 is to be able to sell the Assets of the Debtor, including the Hospital Property as a potentially operating hospital with an appraised operational value of over $18 million. Should the Hospital be required to shut down as an operating facility and no sale of the Hospital Property has occurred, the appraiser of the Hospital Property has opined that its land value would be substantially less than the value of the Hospital in its current state. That amount might not be sufficient to pay all Allowed Administrative Expenses, Allowed Secured Claims and Allowed Priority Claims.

Based on the liquidation appraisal, the Committee believes that holders of Claims will receive greater value as of the Effective Date under the Plan than such holders would receive under a Chapter 7 liquidation. Attached as Exhibit 1, is a Liquidation Analysis under a forced land sale scenario.

Further, in an actual liquidation of the Debtor, Distributions to holders of Claims would be delayed by the chapter 7 process. This delay would materially reduce the amount determined on a present value basis available for Distribution to creditors. The Committee believes the value of the liquidation distributions on a present value basis determined as of the projected Effective Date would be less than the value distributable under the Plan to each Class of Claims including, but not limited to, all Secured Claims.

In sum, the Committee believes that Chapter 7 liquidation of the Debtor would result in a substantial diminution in the value to be realized by holders of Claims, as compared to the proposed Distributions under the Plan because of, among other factors: (a) the failure to maximize the going concern value of the Debtor's Assets; (b) the liquidation of Assets at a distressed value in Chapter 7; (c) the allowance of Secured Creditors to obtain termination of the automatic stay; (d) additional costs and expenses involved in the appointment of a trustee, attorneys, accountants and other Professionals to assist the trustee in the Chapter 7 cases; (e) additional expenses and Claims, including potential Administrative Expense Claims and Priority Claims, that may arise from the cessation of operations and the conversion of the Chapter 11 cases to Chapter 7; and (f) the substantial time that would elapse before entities would receive any distribution in respect of their Claims. Consequently, the Committee believes that the Plan will provide a substantially greater ultimate return to holders of Claims than would Chapter 7 liquidations.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor unless such liquidation or reorganization is proposed in the Plan. The Committee is proposing liquidation as part of its Plan. All Property, including Assets are being transferred and conveyed to a Liquidating Trust. In that event the Liquidating Trustee will liquidate the Assets and Hospital Property and make distributions from the proceeds thereof to holders of Allowed Claims. The Committee has worked with brokers and appraisers who have significant experience in the health care industry and has relied on their recommendations that the Hospital Property is more likely to be sold in operating condition.

3. Acceptance by Impaired Classes

A class is impaired under a plan unless, with respect to each claim of such class, the plan (i) leaves unaltered the legal, equitable and contractual rights to which the claim entitles the holder of such claim or interest; or (ii) notwithstanding a demand for accelerated payment (a) cures any default and reinstates the maturity of the obligation; (b) compensates the holder of such claim for damages incurred on account of reasonable reliance on contractual provisions; and (c) does not otherwise alter legal, equitable or contractual rights. A class that is not impaired

under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances to such class is not required.

With respect to the Plan, holders of Claims in Classes 3 and 7 are Unimpaired and are deemed to have accepted the Plan. Holders of Claims in Classes 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13 are Impaired.

4. CramDown

A plan is accepted by an impaired class of claims or interests if holders of at least two-thirds (2/3) in dollar amount and a majority in number of claims or interests in that class vote to accept the plan. Only those holders of claims or interests who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code. The Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of Section 1129 of the Bankruptcy Code, it (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each Class of Claims and Equity Interests that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting class of unsecured claims or interests receives full compensation for its allowed claims or interests, no holder of allowed claims or interests in any junior class may receive or retain any property on account of such claims or interests.

With respect to a dissenting class of secured claims, the "fair and equitable" standard requires that holders either (i) retain their liens and receive deferred cash payments with a value as of the effective date of the Plan equal to the value of their interest in property of the applicable estate or (ii) receive the indubitable equivalent of their secured claims.

The "fair and equitable" standard has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than one hundred percent (100%) of its allowed claims.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be treated substantially equally with respect to other Classes of equal rank. The Committee does not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

The Committee intends to seek "cram down" of the Plan on any Impaired Class that does not vote to accept the Plan. Nevertheless, there can be no assurance that the Bankruptcy Court will determine that the Plan meets the requirements of Section 1129(b) of the Bankruptcy Code.

5. Classification of Claims

The Committee believes that the Plan meets the classification requirements of the Bankruptcy Code that require that a plan place each claim into a class with other claims that are "substantially similar."

E. Effect of Confirmation of the Plan

1. Revesting of Assets

Except as otherwise explicitly provided in the Plan, on the Effective Date all property comprising the Estates (including Avoidance Actions) shall vest in the Liquidating Trust, free and clear of all Claims, Liens and Equity Interests of holders of Claims and Equity Interests (other than as expressly provided herein). As of the Effective Date, the Liquidating Trustee as applicable may operate its business and use, acquire, and dispose of Property and settle and compromise Claims (no greater than $200,000) without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

2. Anticipated Future of SBMC Healthcare, LLC

SBMC will continue its existence subsequent to confirmation of the Plan and sale of the Hospital as an investment company without the Assets that are being turned over to the Liquidating Trust until such time as Creditors holding Allowed Claims are paid in full. Should there remain Assets in either trust subsequent to payment in full of Allowed Claims, those remaining Assets will be re-conveyed and transferred to SBMC.

3. Tax Consequences of Plan

SBMC Healthcare, LLC was set up so the net income or loss of its operations flows through to Marty McVey, the equity holder. SBMC purchased the Hospital and related Assets in February 2011. SBMC suffered losses in 2011 and those losses flowed through to the equity owner.

4. Satisfaction, Release and Discharge of Claims

Except as otherwise specifically provided in this Plan or in the Confirmation Order, the Confirmation of this Plan shall discharge the Debtor and its Property or Assets from all Claims other than Allowed Secured Claims that existed or arose before the Confirmation Date and extinguish as to the Debtor all liabilities in respect of any Claim or other obligation, whether reduced to judgment or not, liquidated or unliquidated, contingent or non-contingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, that existed or arose from any agreement of the Debtor entered into or obligation of the Debtor incurred before the Confirmation Date, or from any conduct of the Debtor prior to the Confirmation Date, or that otherwise existed or arose prior to the Confirmation Date, including, without limitation, all interest, if any, on any such Claims or obligations, whether such interest accrued before or after the Petition Date, and including, without limitation, any liability of the kind specified in Sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, whether or not a Proof of Claim is filed or deemed filed under Section 501 of the Bankruptcy Code, such Claim is allowed under Section 502 of the Bankruptcy Code, or the holder of such Claim accepted this Plan. The treatment of and consideration to be received by holders of Allowed Claims pursuant to this Plan are in full satisfaction, settlement, discharge, and release of and in exchange for such holders' respective Claims against the Debtor and the

Estate. Any discharge shall set forth herein shall occur as of the Effective Date. Except as provided in the Plan, the Insiders, Management, Affiliates, officers, directors, and Affiliates of Insiders of the Debtor are not released in the Plan.

5. Binding Effect

As of the Effective Date, the Plan shall be binding upon and inure to the benefit of the Debtor, the Liquidating Trust, all Claimants and holders of Equity Interests, other parties in-interest and their respective heirs, successors, and assigns.

6. Term of Injunctions or Stays

Unless expressly modified or lifted by the Bankruptcy Court, all injunctions or stays provided for in the Case pursuant to Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until thirty (30) days after the final Distribution Date.

7. Setoffs

Except with respect to Claims specifically Allowed under the Plan, the Committee or the Liquidating Trustee, as applicable, may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, Claims of any nature whatsoever that the Debtor may have against such Claimant; but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Committee or Liquidating Trust of any such claim that the Committee or the Liquidating Trust may have against such Claimant.

8. Exculpation and Releases

Section 1.2.36 of the Plan defines "exculpated person." The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to negotiating, formulating, implementing, confirming, or consummating this Plan, the Disclosure Statement or any contract, instrument, filing with governmental agencies, release, or other agreement or document created in connection with or related to this Plan, any prior plan or disclosure statement of the Debtor, or the administration of the Bankruptcy Case, nor with respect to any liability, claim or cause of action, whether known or unknown, asserted or unasserted, belonging to or assertable by the Debtor, the Estate, or the Liquidating Trustee against the Exculpated Persons, from the beginning of time until the Effective Date unless the act is found to be in violation of the Bankruptcy Code. The Exculpated Persons shall have no liability to any Person for actions taken in good faith under or relating to this Plan or in connection with the administration of the Bankruptcy Case including, without limitation, failure to obtain confirmation of this Plan or to satisfy any condition or conditions precedent, or waiver of or refusal to waive any condition or conditions precedent to Confirmation or to the occurrence of the Effective Date. Further, the Exculpated Persons shall not have or incur any liability to any Person for any act or omission in connection with or arising out of their administration of this Plan. The releases contained in this paragraph do not apply to violations of the Bankruptcy Code, egregious conduct, gross negligence or willful misconduct as

determined by the Bankruptcy Court. The Committee Members and its Counsel are fully exculpated from any and all claims.

9. No Liability for Solicitation or Participation

Pursuant to Section 1125 of the Bankruptcy Code, Persons that solicit acceptances or rejections of this Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under or in connection with this Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or the offer, issuance, sale, or purchase of securities.

10. Indemnification

The Liquidating Trust shall indemnify each Person identified as a Protected Person against any and all costs and expenses (including attorneys' fees) incurred by any of them in defending against post-Confirmation Date claims that are based on actions allegedly taken (or not taken) by them in their respective capacities relating to the Debtor, the Liquidating Trust or the Plan; provided, however, that no Protected Person shall be entitled to indemnification under the Plan for the costs and expenses of defending a cause of action in which it is ultimately judicially determined that such Protected Person was acting outside the scope of their employment, grossly negligent or acted fraudulently or with willful misconduct in performing such Protected Person's duties hereunder or under any Final Order of the Bankruptcy Court or applicable law. Any Protected Person entitled to indemnification under this Section shall have a priority distribution right that is senior to the holders of Allowed Claims in Classes 1, 2 and 13. The Liquidating Trustee may use the Assets (as an expense of consummating the Plan) to purchase indemnification insurance to satisfy any potential indemnification claims that may arise under the Plan.

11. No Liability for Tax Claims

Unless a taxing authority has asserted a Claim against the Debtor before the Bar Date established thereof, no Claim of such authority shall be Allowed against the Debtor or the Estate for taxes, penalties, interest, additions to tax, or other charges arising out of the failure, if any, of the Debtor to have paid taxes or to have filed any tax return (including, but not limited to, any income tax return or franchise tax return) in or for any prior year or arising out of an audit of any return for a period before the Petition Date.

12. Term of Committee Existence

Unless otherwise specifically provided in the Plan or the Confirmation Order, the Committee shall continue in full existence, force and effect with its pre-confirmation counsel until the Effective Date or as extended thereafter by the Court. The powers and rights of the Committee shall remain the same post-confirmation as pre-confirmation until the Effective Date or as extended thereafter by Court Order.

13. Continuing Jurisdiction

a. Pursuant to the exception set forth in Section 1141(b), the Plan will not vest all Property or Assets of the Estate until the Effective Date or on such Date that the Court orders otherwise. The Debtor shall remain a debtor-in-possession until the vesting of the Property and Assets into the Liquidating Trust. The Court shall retain jurisdiction in the same manner as prior to Confirmation until the Effective Date or other date so ordered by the Court. After the Effective Date, the Court shall retain jurisdiction as set forth in the Plan.

b. The Automatic Stay remains in place and in force and effect until Effective Date.

V. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN 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 INCORPORATED BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR TO 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. Risk that the Hospital Property will not be sold as an operational facility.

B. While the Debtor has prospective purchasers who are conducting due diligence and inspection of the Hospital for the purpose of buying the Hospital, such purchasers have the right to decide not to close a sales transaction. In that event, should the Debtor or Liquidating Trustee not be able to complete a sale of the Hospital, the post-petition lender and Harborcove have the right to pursue remedies under their respective deeds of trust. A loss of the Hospital Property to such event would dramatically affect any return to Creditors and would likely result in distribution no farther than to Class 1.

The distributions and recoveries for holders of Claims set forth in this Disclosure Statement are based on the Debtor's estimate of Allowed Claims. The Debtor projects that the Claims asserted against it will be resolved in and reduced to an amount that is significantly lower than its estimates and may seek an order or orders from the Bankruptcy Court estimating the maximum dollar amount of Allowed Claims and Disputed Claims in various Classes or otherwise determining and fixing the amount of any Disputed Claims Reserve. There can be no assurance, however, that such estimates will prove accurate. In addition, if and to the extent the Debtor has underestimated the amount of any Allowed Claims or Disputed Claims, the Debtor could be required to redirect Cash to such Allowed Claims or Disputed Claims. Therefore, the Distributions discussed herein could significantly and materially differ from the actual

Distributions made under the Plan. The Debtor reserves the right to object to the amount or classification of any Claim. Thus, the estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim whose Claim is subject to a successful objection. Any such holder may not receive the estimated distributions set forth herein.

A. Risk of Non-Confirmation of the Plan

If the Plan is not confirmed and consummated, there can be no assurance that the Debtor's Chapter 11 case will continue rather than be converted to a liquidation under chapter 7 of the Bankruptcy Code or that an alternative plan would be on terms as favorable to the holders of Allowed Claims as the terms of the Plan.

B. Non-Consensual Confirmation of the Plan

Pursuant to the "cram down" provisions of Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan without the acceptances of all Impaired Classes of Claims, so long as at least one Impaired Class of Claims has accepted the Plan.

VI. ACCOUNTING AND VALUATION METHODS UTILIZED IN DISCLOSURE STATEMENT

According to the Debtor, prior to the filing of this Bankruptcy Case, SBMC utilized the accrual method of accounting. However, after filing, according to the Debtor, SBMC has operated on a cash basis other than accruing payroll taxes and paying those quarterly. Christopher Ashby has been the officer handling the finances of SBMC since early March 2011. SBMC has filed its Monthly Operating Reports each month on the forms required by the Office of the United States Trustee. The first report relating to the April-May 2012 period post-filing of this Bankruptcy Case was filed on June 20, 2012.

SBMC, with Court approval, retained The Gerald A. Teel Company to appraise SBMC's real property. Mr. Teel rendered his opinion of value on the Hospital Property as an operating facility in the amount of $19,200,000.00 as of June 1, 2012. He further appraised the Medical Office Building Property at $1,450,000.00 as of that same date.

Other valuations were based on the books and records maintained by SBMC.

VII. SOURCES OF INFORMATION UTILIZED IN PREPARATION OF DISCLOSURE STATEMENT

The Committee representatives involved in the preparation of this Disclosure Statement have depended on information obtained from the Debtor ini its prior filings of a Disclosure Statement and Plan, as amended. The Committee has tried diligently to be as accurate as possible in providing the information, but there may be some inaccuracies that arise because of the uncertainties of litigation, the economic circumstances of the Debtor, and the inability of the Committee to get necessary documents from the Debtor.

VIII. CERTAIN TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO THE DEBTORS AND HOLDERS OF CLAIMS. THIS DISCUSSION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "TAX CODE"), THE TREASURY REGULATIONS ISSUED (IN FINAL OR TEMPORARY FORM) THEREUNDER, JUDICIAL DECISIONS AND CURRENT INTERNAL REVENUE SERVICE ("IRS") ADMINISTRATIVE DETERMINATIONS IN EFFECT AS OF THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, OR NEW INTERPRETATIONS OF EXISTING AUTHORITY MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DISCUSSED BELOW. THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE UNCERTAIN DUE TO THE LACK OF APPLICABLE LEGAL AUTHORITY AND MAY BE SUBJECT TO ADMINISTRATIVE OR JUDICIAL INTERPRETATIONS THAT DIFFER FROM THE DISCUSSION BELOW. MOREOVER, NO RULINGS HAVE BEEN OR WILL BE REQUESTED FROM THE IRS AND NO LEGAL OPINIONS HAVE BEEN OR WILL BE REQUESTED FROM COUNSEL WITH RESPECT TO ANY TAX CONSEQUENCES OF THE PLAN.

THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR TO HOLDERS OF CLAIMS. FOR EXAMPLE, THE DISCUSSION PROVIDED BELOW DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, BANKS, SMALL BUSINESS INVESTMENT COMPANIES, MUTUAL FUNDS, REGULATED INVESTMENT COMPANIES, TAX EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS. THE DISCUSSION, MOREOVER, IS LIMITED TO FEDERAL INCOME TAX CONSEQUENCES AND DOES NOT ADDRESS STATE, LOCAL OR FOREIGN TAXES.

THIS DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY. THE DEBTOR AND ITS COUNSEL ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN WITH RESPECT TO THE DEBTOR, DIRECTORS OR OFFICERS OF THE DEBTOR OR HOLDERS OF CLAIMS. FURTHER, THE DEBTOR AND ITS COUNSEL ARE NOT RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO CORPORATIONS (INCLUDING THE DEBTOR) IN BANKRUPTCY ARE EXTREMELY COMPLEX AND THE FOLLOWING SUMMARY IS NOT EXHAUSTIVE. FOR THESE REASONS, THE DISCUSSION IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS

REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PLAN.

A Holder may be subject to backup withholding at applicable rates with respect to consideration received pursuant to the Plan, unless the holder (i) is a corporation or comes within another category of persons exempt from backup withholding and, when required, demonstrates this or (ii) provides a correct taxpayer identification number ("TIN") on Internal Revenue Service Form W-9 (or a suitable substitute form) and provides the other information and makes the representations required by such form and complies with the other requirements of the backup withholding rules. An otherwise exempt holder may become subject to backup withholding if, among other things, the holder (i) fails to properly report interest and dividends for federal income tax purposes or (ii) in certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN. A holder that does not provide a correct TIN also may be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. The federal income tax liability of a person subject to backup withholding is reduced by the amount of tax withheld. If withholding results in an overpayment of federal income tax, the holder may obtain a refund of the overpayment by properly and timely filing a claim for refund with the IRS.

The Debtor and Liquidating Trustee may be subject to other withholding and information reporting obligations with respect to consideration distributed pursuant to the Plan and will comply with all such obligations and information reporting obligations.

IX. CONCLUSION AND RECOMMENDATION

The Committee believes that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. In addition, other alternatives would involve delay, uncertainty and substantial additional administrative costs. The Committee urges holders of impaired Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance of the Committee's Plan by returning their ballots so that they will be received not later than March 18, 2013, at 5:00 p.m. CT.

Respectfully submitted on this 8th day of March, 2013.

HALL ATTORNEYS
A Professional Corporation

BY: */s/ Ruth Van Meter*
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CERTIFICATE OF SERVICE

I, Ruth Van Meter, do certify that the foregoing Disclosure Statement was served by ECF notice to all parties entitled to receive ECF notice on the 8th day of March, 2013.

/s/ Ruth Van Meter
Ruth Van Meter