UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

----------x

In re:

LONG BEACH MEDICAL CENTER, et al.,[1]

Debtors.

Chapter 11 Case
Case No. 14-70593(AST)

(Jointly Administered)

----------x

FIRST AMENDED DISCLOSURE STATEMENT ON FIRST AMENDED JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE OF LONG BEACH MEDICAL CENTER, ET AL. PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

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

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

Counsel for the Debtors
and Debtors in Possession

Dated: June 26, 2017
Long Beach, New York

[1] The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: Long Beach Medical Center (5084) and Long Beach Memorial Nursing Home, Inc. d/b/a The Komanoff Center for Geriatric and Rehabilitative Medicine (3422).

I. INTRODUCTION AND SUMMARY

A. Overview

Long Beach Medical Center ("LBMC") and Long Beach Memorial Nursing Home, Inc. d/b/a The Komanoff Center for Geriatric and Rehabilitative Medicine ("Komanoff" and collectively with LBMC, the "Debtors", and each a "Debtor") filed their Chapter 11 Cases (the "Cases") with the United States Bankruptcy Court for the Eastern District of New York (the "Court" or the "Bankruptcy Court") on February 19, 2014 (the "Petition Date"). The Cases were assigned to the Honorable Alan S. Trust, United States Bankruptcy Judge for the Eastern District of New York. The Debtors continue to manage the orderly liquidation of their assets as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. The Debtors, as the proponents of the Plan, (the "Plan Proponents") submit this Disclosure Statement (the "Disclosure Statement") pursuant to § 1125(b) of Title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), in connection with their *First Amended Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code of Long Beach Medical Center, et al.*, dated June 26, 2017 (the "Plan"). Although the Plan is presented as a joint plan of liquidation, the Plan does not provide for the substantive consolidation of the Debtors' Estates, and the Debtors' Estates shall not be substantively consolidated for any reason. This Disclosure Statement is intended to provide the Debtors' creditors with adequate information to enable holders of Claims that are impaired under (and entitled to vote on) the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan. A copy of the Plan is annexed hereto as Exhibit A. All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to them in the Plan, unless otherwise noted.

The Plan provides a means by which the proceeds of the liquidation of the Debtors' assets will be distributed under Chapter 11 of the Bankruptcy Code, and sets forth the treatment of all Claims against the Debtors. As described in more detail below, the Debtors have consummated the sale of substantially all of their assets in two (2) separate transactions, one to South Nassau Communities Hospital ("SNCH"), and the other to MLAP Acquisition I, LCC and MLAP Acquisition II, LLC (collectively, "MLAP"), pursuant to orders of the Court authorizing the Debtors to sell (i) the LBMC assets [Docket No. 184], and (ii) the Komanoff assets [Docket No. 185]. The Plan implements the distribution of the respective sales proceeds to holders of Allowed Claims against each Debtor's Estate, and provides for liquidation of any remaining assets.

THE PLAN PROPONENTS STRONGLY URGE ACCEPTANCE OF THE PLAN, AND URGE ALL CREDITORS ENTITLED TO VOTE THEREON TO VOTE TO ACCEPT THE PLAN.

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

B. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. A debtor can also utilize the provisions of Chapter 11 to orderly market and sell its assets in order to derive maximum value and provide equal treatment of similarly situated creditors with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. Confirmation and consummation of a plan of reorganization or liquidation are the principal objectives of a Chapter 11 case. In these Cases, the Plan contemplates a liquidation of each of the Debtors and is therefore referred to as a "plan of liquidation." The primary objective of the Plan is to maximize the value of the recoveries to all holders of Allowed Claims and to distribute any asset of the Debtors' Estates, or proceeds thereof, that are or becomes available for distribution generally in accordance with the priorities established by the Bankruptcy Code.

In general, confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any person acquiring property under the plan, and any creditor or equity interest holder of a debtor whether or not they vote to accept the plan. Before soliciting acceptances of a proposed plan, however, § 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a creditor to make an informed judgment in voting to accept or reject the plan. The Plan Proponents are submitting this Disclosure Statement to holders of Claims against the Debtors to satisfy the requirements of § 1125 of the Bankruptcy Code.

C. Summary of Classification and Treatment Under the Plan

In general, and as more fully described herein, the Plan (i) does not consolidate the Debtors' Estates and uses each Debtor's assets to pay the Claims of each respective Debtor, (ii) divides Claims into two (2) unclassified categories and six (6) classes for each of the Debtors' respective Estates, (iii) sets forth the treatment afforded to each category and class, and (iv) provides the means by which the proceeds of the Debtors' assets and amounts payable by third parties will be distributed. The LBMC Estate currently has approximately $4,888,100 of Cash on hand and the Komanoff Estate currently has approximately $7,161,000 of Cash on hand. The following table sets forth a summary of the treatment of each class of Claims under the Plan (a more detailed description of the Plan is set forth in Section IV of this Disclosure Statement entitled "*Overview of The Plan*").[2]

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

UNCLASSIFIED CATEGORIES

Class Number	Type of Claim Class	Treatment of Allowed Claims	Projected Recovery
	Administrative Claims	Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Claim (other than a Professional Fee Claim, a FEMA Claim, or a Receiver Claim), will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim: (1) on the Effective Date or as soon as practicable thereafter, or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (2) if the Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order of the Court Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (3) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim, without any further action by the Holders of such Allowed Administrative Claims; (4) at such other time that is agreed to by the Debtors and the Holders of such Allowed Administrative Claim; or (5) at such other time and on such other terms set forth by an order of the Court.	100% Remaining LBMC Administrative Claims estimated to be no more than $1,325,000 inclusive of all accrued but unpaid professional fees and holdbacks Remaining Komanoff Administrative Claims estimated to be no more than $1,225,000 inclusive of all accrued but unpaid professional fees and holdbacks See Section IV.B, under the heading "Unclassified Categories of Claims", paragraph c, for a more fulsome discussion of professional fees in these cases
	Priority Tax Claims	Unless the Holder thereof shall agree to a different and less favorable treatment, each Holder of an Allowed Priority Tax Claim, in full and complete satisfaction of such Allowed Priority Tax Claim, shall receive payment in Cash from either Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, in an amount equal to such Allowed Priority Tax Claim on or as soon as reasonably practicable after the later of (a) the Effective Date, or (b) the date on which such Claim becomes Allowed.	100% LBMC Priority Tax Claims, if any, are estimated to be de minimis Komanoff Priority Tax Claims are estimated to be less than $250,000

LBMC CLASSES

Class Number	Type of Claim Class	Treatment of Allowed Claims	Projected Recovery
LBMC 1	**Allowed PBGC Secured Claim**	Except to the extent the Holder of an Allowed LBMC Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 1 Claim, the Holder of such Claim shall receive, in Cash, from the proceeds of PBGC's Collateral up to $7,074,670.63 on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties.	Aggregate Recovery From Both Estates 89.03% Anticipated Distribution of approximately $3,026,100 from the LBMC Estate
LBMC 2	**Allowed Other Secured Claims**	Except to the extent that a Holder of an Allowed LBMC Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 2 Claim, each Holder of an Allowed LBMC Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such LBMC Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such LBMC Class 2 Claim; (c) receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed LBMC Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed LBMC Class 2 Claim is less than the amount of such Allowed LBMC Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed LBMC Class 5 Claim.	100% All Allowed Other Secured Claims have been satisfied up to the value of the Collateral securing such claims

LBMC 3	**Allowed Priority Non-Tax Claims**	Except to the extent that a Holder of an Allowed LBMC Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 3 Claim, each Holder of an Allowed LBMC Class 3 Claim shall be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Court.	100% LBMC anticipates between $500,000 and $600,000 in Allowed Priority Non-Tax Claims, inclusive of the DOL Settlement
LBMC 4	**Allowed FEMA Claims**	Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from LBMC Remaining Cash, the Holders of LBMC Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program, on account of their respective Claims.	90-100% Fully funded with 3rd Party funds – FEMA and NYS FEMA Match Program
LBMC 5	**Allowed General Unsecured Claims**	Except to the extent that a Holder of an Allowed LBMC Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 5 Claim, each Holder of an Allowed LBMC Class 5 Claim shall be entitled to receive, in Cash: (a) a pro-rata distribution of Net LBMC Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net LBMC Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed Komanoff Class 5 Claims; plus, (b) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds, to be shared pari-passu with the Holder of the LBMC Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an amount of additional Net LBMC Proceeds equal to the	Less than 1% The Debtors estimate that Allowed General Unsecured Claims will total in excess of approximately $13,000,000

		difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of Komanoff Class 5 Claims; plus, (c) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net LBMC Proceeds, pari-passu with Holder of the LBMC Class 6 Claim.	
LBMC 6	**Allowed PBGC Unsecured Claim**	In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed LBMC Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash: (a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds to be shared pari-passu with Holders of Allowed LBMC Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus, (b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net LBMC Proceeds up to the Subordination Amount; plus (c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net LBMC Proceeds pari-passu with Holders of Allowed LBMC Class 5 Claims.	0-1% The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000, which Claim is entitled to joint and several liability across the LBMC and Komanoff Estates

KOMANOFF CLASSES

Class Number	Type of Claim Class	Treatment of Allowed Claims	Projected Recovery
Komanoff 1	**Allowed PBGC Secured Claim**	Except to the extent the Holder of an Allowed Komanoff Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 1 Claim, the Holder of such Claim shall receive, in Cash, the proceeds of PBGC's Collateral up to $7,074,670.63, less any payments by LBMC made pursuant to Section 4.1 of the Plan on account of the LBMC Class 1 Claim, on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties.	Aggregate Recovery From Both Estates 89.03% Anticipated Distribution of approximately $4,048,900 from the Komanoff Estate
Komanoff 2	**Allowed Other Secured Claims**	Except to the extent that a Holder of an Allowed Komanoff Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 2 Claim, each Holder of an Allowed Komanoff Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Komanoff Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such Komanoff Class 2 Claim; (c) shall receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Komanoff Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed Komanoff Class 2 Claim is less than the amount of such Allowed Komanoff Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed Komanoff Class 5 Claim.	100% Asserted Komanoff Class 2 Claims are in excess of $37,164,826. The Debtors anticipate that Allowed Komanoff Class 2 Claims will be less than $1,000,000 after the claims resolution process is complete
Komanoff 3	**Allowed Priority Non-Tax Claims**	Except to the extent that a Holder of an Allowed Komanoff Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 3 Claim, each Holder of an Allowed Komanoff Class 3 Claim shall be paid in full in Cash on	100% Komanoff anticipates between $500,000 and $600,000 in Allowed Priority Non-Tax Claims

		(i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax, or (iii) such other date as may be ordered by the Court.	
Komanoff 4	**Allowed FEMA Claims**	Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from Komanoff Remaining Cash, the Holders of Komanoff Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program, on account of their respective Claims.	90-100% Fully funded with 3rd Party funds – FEMA and NYS FEMA Match Program
Komanoff 5	**Allowed General Unsecured Claims**	Except to the extent that a Holder of an Allowed Komanoff Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 5 Claim, each Holder of an Allowed Komanoff Class 5 Claim shall be entitled to receive, in Cash: (a) a pro-rata distribution of Net Komanoff Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed LBMC Class 5 Claims; plus, (b) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds, to be shared pari-passu with the Holder of the Komanoff Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of LBMC Class 5 Claims; plus, (c) to the extent any Net Komanoff Proceeds remain after the Debtors actually	11-32% The Debtors estimate that Allowed General Unsecured Claims will total between approximately $4,600,000 and $9,200,000

		distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net Komanoff Proceeds, pari-passu with the Holder of Komanoff Class 6 Claim.	
Komanoff 6	**PBGC Allowed Unsecured Claim**	In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed Komanoff Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash: (a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds to be shared pari-passu with Holders of Allowed Komanoff Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus, (b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net Komanoff Proceeds up to the Subordination Amount; plus (c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net Komanoff Proceeds pari-passu with Holders of Allowed Komanoff Class 5 Claims.	1-2% The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000, which Claim is entitled to joint and several liability across the LBMC and Komanoff Estates

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

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. WHILE THE PLAN PROPONENTS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE PLAN, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS IN THE PLAN, THE PLAN

SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. WHILE THE DEBTORS HAVE MADE EVERY EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES REASONABLY CAN BE EXPECTED TO AFFECT MATERIALLY THE VOTE ON THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT THAT CERTAIN EVENTS, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DISCUSSED IN SECTION VII BELOW ENTITLED "RISK FACTORS" DO OCCUR.

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

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

D. Voting and Confirmation Procedures

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

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

(ii) the Disclosure Statement Approval Order, which is annexed hereto as Exhibit B, approving, among other things, (i) this Disclosure Statement as containing adequate information pursuant to § 1125 of the Bankruptcy Code, (ii) scheduling a hearing on confirmation of the Plan; (iii) establishing a deadline and procedures for filing objections to confirmation of the Plan; (iv) establishing a deadline and procedures for temporary allowance of claims for voting purposes; (v) establishing the treatment of certain contingent, unliquidated and disputed claims for notice and voting purposes; (vi) approving form and manner of notice of hearing on confirmation and related issues and approving procedures for distribution of solicitation packages; (vii) approving the form of ballot; and (viii) establishing a voting deadline for receipt of ballots.

(iii) the forms of Ballots, and the related materials delivered together herewith, are being furnished, for purposes of soliciting votes on the Plan, to LBMC Classes 1, 4, 5, and 6, and Komanoff Classes 1, 4, 5, and 6, which are the only impaired classes of Claims that are entitled to vote on the Plan. The Disclosure Statement is also being provided to holders of Claims in LBMC Classes 2 and 3, and Komanoff Classes 2 and 3 (which classes are unimpaired and therefore deemed to accept the Plan), and other entities, solely for informational purposes.

(1) Who May Vote

Pursuant to the provisions of the Bankruptcy Code, impaired classes of claims are entitled to vote to accept or reject a plan of reorganization or liquidation. A class which is not "impaired" is deemed to have accepted a plan and is not entitled to vote. A class is "impaired" under the Bankruptcy Code unless the legal, equitable, and contractual rights of the holders of claims in such class are not modified or altered. As set forth above, LBMC Class 2 (Allowed Other Secured Claims), LBMC Class 3 (Allowed Priority Non-Tax Claims), Komanoff Class 2 (Allowed Other Secured Claims), and Komanoff Class 3 (Allowed Priority Non-Tax Claims) (the "Unimpaired Classes" and each an "Unimpaired Class") are unimpaired and deemed to accept the Plan. LBMC Class 1 (Allowed PBGC Secured Claim), LBMC Class 4 (Allowed FEMA Claims), LBMC Class 5 (Allowed General Unsecured Claims), LBMC Class 6 (Allowed PBGC Unsecured Claim), Komanoff Class 1 (Allowed PBGC Secured Claim), Komanoff Class 4 (Allowed FEMA Claims), Komanoff Class 5 (Allowed General Unsecured Claims), and Komanoff Class 6 (Allowed PBGC Unsecured Claim) (the "Impaired Classes" and each an "Impaired Class") are impaired, or potentially impaired, and thus entitled to vote on the Plan.

(2) Voting of Claims

Each holder of an Allowed Claim in an Impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in the Disclosure Statement Approval Order.

(3) Voting Procedures

All votes to accept or reject the Plan must be cast by using the form of Ballot approved by the Court. Except to the extent the Court orders otherwise, votes submitted by any other means shall not be counted. The Court has fixed June 26, 2017 at 4:00 p.m., Prevailing Eastern Time, (the "Voting Record Date") as the time and date for the determination of holders of record of Claims who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan on the appropriate Ballot and return such Ballot in the enclosed envelope to the Debtors' balloting agent, Garden City Group, Inc. (the "Balloting Agent"), as follows:

IF BY FIRST CLASS MAIL:

Long Beach Medical Center
c/o GCG, LLC
P.O. Box 10040
Dublin, Ohio 43017-6640

IF BY OVERNIGHT MAIL OR HAND DELIVERY:

Long Beach Medical Center, Ballot Processing
c/o GCG, LLC
5151 Blazer Parkway, Suite A
Dublin, Ohio 43017

IF BY ELECTRONIC MAIL:

LOBinfo@gardencitygroup.com

IF BY FASCIMILIE:

(844) 528-4562

BALLOTS MUST BE RECEIVED ON OR BEFORE 4:00 P.M. (PREVAILING EASTERN TIME) ON AUGUST 7, 2017 (THE "VOTING DEADLINE"). THE FOLLOWING BALLOTS SHALL NOT BE COUNTED OR CONSIDERED FOR ANY PURPOSE IN DETERMINING WHETHER THE PLAN HAS BEEN ACCEPTED OR REJECTED: (A) ANY BALLOT THAT IS PROPERLY COMPLETED, EXECUTED AND TIMELY RETURNED TO THE BALLOTING AGENT, BUT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN, (B) ANY BALLOT THAT IS PROPERLY COMPLETED, EXECUTED, AND TIMELY RETURNED TO THE BALLOTING AGENT, BUT INDICATES PARTIAL REJECTION AND/OR PARTIAL ACCEPTANCE OF THE PLAN WITH RESPECT TO MULTIPLE CLAIMS IN THE SAME CLASS, (C) ANY BALLOT ACTUALLY RECEIVED BY THE BALLOTING AGENT AFTER THE VOTING DEADLINE, EVEN IF POSTMARKED BEFORE THE VOTING DEADLINE, UNLESS THE PLAN PROPONENTS SHALL HAVE GRANTED, IN WRITING, AN EXTENSION OF THE VOTING DEADLINE WITH RESPECT TO SUCH BALLOT, (D) ANY BALLOT THAT IS ILLEGIBLE OR CONTAINS INSUFFICIENT INFORMATION TO PERMIT THE IDENTIFICATION OF THE CLAIMANT, (E) ANY BALLOT CAST BY A PERSON OR ENTITY THAT DOES NOT HOLD A CLAIM IN A CLASS THAT IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, (F) ANY BALLOT CAST FOR A CLAIM SCHEDULED AS UNLIQUIDATED, CONTINGENT, OR DISPUTED FOR WHICH NO PROOF OF CLAIM WAS TIMELY FILED, (G) ANY UNSIGNED OR NON-ORIGINALLY SIGNED BALLOT, (H) ANY BALLOT SENT DIRECTLY TO ANY OF THE DEBTORS, THEIR AGENTS (OTHER THAN THE DEBTORS' BALLOTING

AGENT) OR THE DEBTORS' FINANCIAL OR LEGAL ADVISORS, OR TO ANY PARTY OTHER THAN THE BALLOTING AGENT, (I) ANY BALLOT CAST FOR A CLAIM THAT HAS BEEN DISALLOWED (FOR VOTING PURPOSES OR OTHERWISE), (J) ANY BALLOT WHICH IS SUPERSEDED BY A LATER FILED BALLOT, AND (K) SIMULTANEOUSLY CAST INCONSISTENT BALLOTS.

If you have any questions regarding the procedures for voting on the Plan, please contact the Debtors' Balloting Agent at the above address, or the following telephone number: (877) 900-4498.

(4) Nonconsensual Confirmation. If any Impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in §§ 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any Impaired Class is deemed to have rejected the Plan, the Plan Proponents reserve the right (a) to undertake to have the Court confirm the Plan under § 1129(b) of the Bankruptcy Code and/or (b) subject to § 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, to modify the Plan to the extent necessary to obtain entry of the Confirmation Order, provided such modifications are consistent with Section 11.1 of the Plan. At the Confirmation Hearing, the Plan Proponents will seek a ruling that if no holder of a Claim eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the holders of such Claims in such Class for the purposes of § 1129(b).

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

A. Organizational Structure and History of the Debtors

Long Beach Medical Center

Since 1922, LBMC provided medical services to the residents of Long Beach and its surrounding communities. Prior to Superstorm Sandy, as the primary health care provider for the island of Long Beach and the surrounding communities, LBMC operated as a comprehensive health care organization which included a 162-bed acute care hospital; an affiliated 200-bed skilled nursing facility specializing in geriatrics and rehabilitation medicine; a certified home health care agency; and numerous outpatient clinical programs. Together, these services allowed LBMC to offer a continuum of care – with the ability to meet all of a patient's health care needs seamlessly, including acute hospitalization, outpatient services, sub-acute care, rehabilitative care, or services from home.

Long Beach Memorial Nursing Home, Inc. d/b/a/ The Komanoff Center for Geriatric and Rehabilitative Medicine

Established in 1974, Komanoff was a hospital-based skilled nursing facility affiliated with LBMC. It provided services for residents requiring long term nursing home care and short term post-acute (sub-acute) care.

B. Capital Structure and Significant Pre-Petition Secured Debt

(1) **New York State Housing Financing Agency**. During 1973, Komanoff entered into an agreement with the State of New York and the New York State Housing Finance Agency in order to finance the construction of a new facility. A total of $6,155,000 was borrowed via the issuance of $5,105,000 of 1974 Series A Bonds and $1,050,000 of 1977 Series A Bonds. Principal and interest payments were due monthly. The average interest rate was 5.9% per annum on the 1974 Series and 7.0% on the 1977 Series. The bonds were scheduled to be redeemed forty (40) years from the date of issuance.

During 1998, Komanoff entered into an agreement with the New York State Housing Finance Agency to refinance its 1974 Series A and 1977 Series A Bonds. The mortgage agreement, with a remaining balance of approximately $3,762,527, was refinanced with an average interest rate of 4.9% per annum. The 1998 Series A Project Revenue Bonds were scheduled to be redeemed 16 years from the date of refinancing. The mortgage loan was collateralized by substantially all assets and future revenues of Komanoff.

Under the terms of the mortgage and the subsequent refinancing, Komanoff was required to make monthly deposits equal to 1/12 of its annual principal amortization and interest expense into the mortgage repayment escrow fund, which was restricted for the payment of bond interest and principal. Monthly deposits were also required into an operating escrow fund to establish a reserve for equipment replacement and structural repairs and a reserve for contingencies. Komanoff was allowed to draw monies out of these reserves with the approval of the New York State Department of Health ("DOH").

As of the Petition Date, the balance due on the 1998 Series A Project Revenue Bonds was $172,527, and the balance of the mortgage repayment and operating escrow sum was $41,118 and $345,307, respectively. Postpetition, the Debtors finalized an arrangement with the New York State Housing Financing Agency to satisfy the remaining balance out of the mortgage repayment and operating escrow account, which resulted in a net refund to the Komanoff Estate.

(2) **Dormitory Authority of the State of New York ("DASNY")**. Pursuant to a reimbursement agreement dated as of November 1, 2007, DASNY made a non-interest-bearing loan to LBMC in the initial principal amount of $2,000,000 (the "DASNY Loan") for the purpose of funding the restructuring of its operations to improve operating performance, consistent with the recommendations of the Commission of Health Care Facilities in the 21st Century. As security for the DASNY Loan, DASNY was given a mortgage in certain of LBMC's real property constituting the parking lots adjacent to the facilities. Commencing January 2010, LBMC was to begin repaying the balance in sixty (60) monthly installments of $33,333. In 2011, LBMC only made nine (9) payments. In April 2012, the repayment terms were revised and LBMC began to make monthly payments of $10,000, with interest being charged at 1%, scheduled through December 31, 2013. Those payments were schedule to increase to $31,500 in January 2014, and were to remain at that amount until the balance was repaid. The last payment made on account of the DASNY Loan was in September 2012, approximately one (1) month prior to Superstorm Sandy. As of the Petition Date, the outstanding balance of the DASNY Loan was approximately $1.252 million. As discussed more fully in Section III.H below, the DASNY Loan was satisfied pursuant to a Court approved settlement during the administration of these Cases.

(3) **First Central Savings Bank ("First Central")**. LBMC acquired several properties which it used as off-site storage, employee housing, and physician office space over a number of years as part of a strategic expansion plan. The properties include: 757 Lincoln Blvd., 758 Lincoln Blvd., 759 Lincoln Blvd., 760 Lincoln Blvd., 762 Lincoln Blvd., 711 Lincoln Blvd., 415 East State St., 425 East State St., 479 East State St., 765 Franklin Blvd., and 761 Franklin Blvd. (the "Offsite Premises"). The Offsite Premises were initially acquired pursuant to various financing arrangements.

In order to refinance and consolidate those various loan obligations, LBMC borrowed from First Central $1.8 million, evidenced by a permanent loan note (the "Mortgage Loan") and obtained a line of credit in the amount of $1 million (the "First Central Line"), evidenced by a commercial line of credit note and security agreement, each dated as of March 7, 2008. In connection therewith, LBMC executed and delivered to First Central a blanket mortgage on the Offsite Premises (the "First Central Mortgage"). Subsequently, LBMC requested a complete draw of the First Central Line. As a condition to authorizing the full draw, First Central required LBMC to consolidate the Mortgage Loan and the First Central Line into a consolidated note (the "First Central Consolidated Note"). On or about August 1, 2008, LBMC drew down on the First Central Line. The principal balance upon consolidation, after taking into account payments previously made, was $2,704,606.26. As of the Petition Date, obligations under the First Central Consolidated Note were approximately $2,642,000.00 and First Central held approximately $380,000 in insurance proceeds (the "First Central Insurance Proceeds") for damages arising from Superstorm Sandy and fire losses to a number of the Offsite Premises. As discussed more fully in Section III.H below, the First Central Consolidated Note was satisfied pursuant to a Court Order and an approved settlement during the administration of these Cases.

(4) **Pension Plan/Pension Benefit Guaranty Corporation ("PBGC")**. LBMC sponsored two (2) noncontributory defined benefit pension plans (the "Pension Plans") covering substantially all employees. The Pension Plans provided benefits based primarily on years of service and career average pay.

LBMC applied to PBGC for distress terminations of the Pension Plans effective July 31, 2009. By letters dated September 14, 2010 and July 29, 2011, PBGC approved the distress application for LBMC and Komanoff, respectively. As a result of the termination of the Pension Plans, through the executed trusteeship agreement with PBGC, benefit accruals under the Pension Plans ceased as of July 31, 2009, PBGC became the Pension Plans' trustee, and PBGC became responsible for paying the Pension Plans' benefits, up to insured limits. The termination of the Pension Plans and previously unpaid pension contributions and premiums resulted in liabilities for the Debtors arising under the provisions of the Employee Retirement Income Security Act of 1974, and the Internal Revenue Code, for pension termination underfunding, past contributions due to the Pension Plans, unpaid special termination and pension insurance premiums due to PBGC with respect to the Pension Plans, and unpaid excise taxes, plus interest and penalties.

As of the Petition Date, PBGC asserted that LBMC and Komanoff collectively owed in excess of $54 million for termination underfunding, unpaid premiums, and excise taxes. LBMC and Komanoff are jointly and severally liable for the Pension Plan liabilities. Of the aforementioned liabilities, PBGC had federal liens against all of LBMC's real and personal

property in the aggregate amount of approximately $9.5 million, of which approximately $7.6 million related to LBMC and $1.9 million related to Komanoff. As discussed more fully in Section III.H below, PBGC's remaining claims are subject to compromise in accordance with a Court approved settlement.

(5) **FEMA Claims**. In the wake of Superstorm Sandy, the President of the United States issued a major disaster declaration under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121 et seq. Thereafter, the Federal Emergency Management Agency ("FEMA") issued a notice of the Presidential declaration of a major disaster for the State of New York (FEMA-4085-DR), and began the task of administering the newly created disaster relief program.

In turn, the Debtors undertook substantial efforts to restore the hospital's physical plant and other facilities. The Debtors contracted with various entities (the "FEMA Vendors") to make emergency repairs to their facilities including, without limitation, to provide for emergency protective measures, demolition of at risk structures, as well as general cleanup and flood-related repairs. Without any significant operating revenue, and in anticipation of the receipt of funds from FEMA ("FEMA Funds"), the Debtors quickly amassed sizeable payables associated with eligible emergency debris removal and emergency repair work. In order to ensure that FEMA Vendors who performed emergency work at the facilities would be properly compensated, and to facilitate the receipt of future FEMA Funds, the Debtors retained DMS Disaster Consultants ("DMS") to assist with the submission of grant requests. In consultation with DMS, the Debtors submitted requests for public assistance to FEMA under FEMA's Public Assistance Program for Grant Assistance (the "PA Program") with respect to certain emergency work performed at the Debtors' premises, and to repair, restore, reconstruct, or replace their critical facilities damaged by Superstorm Sandy (the "Grant Requests").

While the PA Program is structured as a reimbursement program, after taking into account the Debtors' financial condition, FEMA agreed to release funds to the Debtors based on invoices and documentation that the approved eligible work was performed.

Once emergency work was completed and invoiced to the Debtors, DMS helped prepare each project worksheet ("PW") which outlined the work performed and the services for which reimbursement was sought. If and when approved by FEMA, funds are then obligated for reimbursement based on PWs. FEMA reimburses 90% of the approved costs associated with any given project, as federal disaster recovery programs require that eligible recipients cover the remaining 10%. Often times the remaining 10% is covered by state and local governments. By agreement between FEMA and the New York State Office of Emergency Management ("OEM"), FEMA authorized OEM to remit funds to the Debtors. Upon receipt, these funds become restricted assets only available to specific payees, and are subsequently paid to the FEMA Vendors for which the funds were obligated. FEMA has paid the Debtors the 90% payments on account of substantially all of the FEMA Vendors' PWs. The Debtors are working with FEMA to address the outstanding payments.

In January of 2013, New York State became the recipient of Community Development Block Grant Disaster Recovery ("CDBG-DR"). Of the $4,416,882,000 in CDBG-DR funds allocated by HUD to New York State, approximately $450 million of such amount was

specifically allocated to FEMA Public Assistance Match Program (the "NYS FEMA Match Program"), which funds the 10% shortfall that FEMA does not cover. The newly established Governor's Office of Storm Recovery ("GOSR") was tasked with managing the NYS FEMA Match Program and overseeing compliance with HUD regulations. The New York State Department of Homeland Security and Emergency Services ("DOH-ES") was tasked with administering the NYS FEMA Match Program, including making distributions. In addition, the New York State Office of the Budget ("Office of Budget") and the New York State Office of the Controller (the "Controller's Office") must approve requested payments before they can be made.

The Debtors have opted into the NYS FEMA Match Program and have submitted PWs to DOH-ES for review. While the process is near completion with DOH-ES, before payment can be obtained from the NYS FEMA Match Program, those PWs, along with any other required information, must be submitted to GOSR, the Office of Budget, as well as the Controller's Office. The Debtors believe they have submitted all necessary documentation required for approval of the PWs, but are aware that further documentation may be required by one or more of the agencies involved in the approval process.

Despite regular contact with various State agencies, the Debtors have been unable to establish a timeframe for receipt of payment from the NYS FEMA Match Program.

(6) **South Nassau Communities Hospital Prepetition Credit Agreement**. As LBMC's liquidity continued to deteriorate in the weeks before the Petition Date, there became an increased need for immediate additional funding. As the Debtors were unable to secure such financing from traditional sources, they turned to SNCH, the anticipated stalking horse bidder for the Debtors' assets, to provide the necessary liquidity and working capital to maintain operations pending completion of a contemplated sale to SNCH, as well as to fund expenses in connection with the preparation and filing of these Cases. After extensive arm's length negotiations, SNCH agreed to provide such funding and, pursuant to that certain Loan and Security Agreement, dated as of December 30, 2013 (as amended, modified, or otherwise supplemented from time to time, the "SNCH Pre-Petition Credit Agreement"), between SNCH and the Debtors, SNCH made available to the Debtors up to $1.5 million in financing secured by liens in substantially all of the Debtors' assets subject to previously existing liens.

Under the SNCH Pre-Petition Credit Agreement, SNCH was owed, as of the Petition Date, approximately $1,500,000 in principal obligations, plus interest, fees, costs, and expenses, and all other "Obligations" under and as defined in the SNCH Pre-Petition Credit Agreement (the "SNCH Pre-Petition Obligations"). As discussed more fully in Section III.G below, the SNCH Pre-Petition Obligations were satisfied from a portion of the sale proceeds of the Komanoff Assets.

C. Events Leading to Chapter 11 Filings

As is true with many community hospitals, LBMC was beset by the financial pressures caused by cuts in Medicare and Medicaid funding, declining indigent pool payments, and changing demographics in the communities served by the Debtors. For a number of years the Debtors experienced a progressive decline in patient volume and discharges and reduction in

acuity of the case mix. Operating revenues steadily decreased, leading to significant losses in the years preceding these filings. Cash book balances were frequently negative, and past due vendor payables increased.

Given LBMC's historical losses, DOH urged the Debtors to partner or otherwise affiliate with a more financially viable healthcare system. In the years preceding the filings, the Debtors had, at various times, engaged in active discussions with several regional healthcare providers, including Mount Sinai Hospital, Winthrop University Hospital, SNCH, and North Shore University Hospital. None of those bore fruit as an affiliation was not consistent with the geographical footprint or strategic plan of any of those systems.

On a parallel track, the Debtors undertook a number of initiatives in an attempt to address the Debtors' operating and liquidity concerns. While some of these initiatives were beginning to show positive results, the Debtors efforts were brought to an abrupt halt in October of 2012 when Superstorm Sandy decimated LBMC and Komanoff. The storm further exacerbated an already precarious financial situation and left the Debtors in a situation from which they were not able to recover.

In the months following the storm, the Debtors undertook tremendous efforts to reopen both LBMC and Komanoff. On January 28, 2013, those efforts led to the reopening of Komanoff, allowing 120 nursing home residents to return home and reinstituting more than 200 employees to their jobs. While rebuilding and repair efforts persisted, the acute care portion of the hospital remained closed with extensive damage to its boilers, mechanical and electrical distribution systems, fire alarm systems, communications, food services, and laundry services. LBMC continued various administrative functions, as well as operations as a family care clinic at one of its adjacent properties and a mental health clinic in a rented facility in Baldwin, NY. Other clinics including the Methadone Maintenance Clinic and the Family Alcohol Counseling and Treatment Services remained closed.

In March, 2013, while rebuilding efforts continued, the Debtors issued a request for proposal ("RFP") to five (5) hospital providers that might have interest in entering the South Shore Long Island market as part of their strategic plans.

The only serious interest came from SNCH, which already serviced the area neighboring that of the Long Beach facility. SNCH brought financial strength to the equation and was best positioned to assure the continuity of healthcare in the Long Beach area. In August, 2013, the parties entered into a memorandum of understanding (the "MOU") to explore proposed transactions which contemplated the sale of substantially all of the Debtors' real property and operating assets to SNCH, changes to the healthcare delivery model, the restructuring or satisfaction and discharge of LBMC and Komanoff indebtedness, and the provision of financing to fund continued operations and maintenance of the assets until any transaction could be completed. The MOU was submitted to DOH for its review and ultimately received strong support.

Thereafter, the parties entered into negotiations for SNCH to acquire substantially all of the real property and operating assets of both LBMC and Komanoff, resulting in the execution of an asset purchase agreement for a transaction pursuant to § 363 of the Bankruptcy Code (the

"Prepetition APA"). In light of the continuing losses and repercussions from Superstorm Sandy, the Debtors filed these Cases to effectuate the sale of their assets, while maximizing returns to all stakeholders.

III. SIGNIFICANT EVENTS DURING THE DEBTORS' CHAPTER 11 CASES

A. First Day Orders

Shortly after the Petition Date, the Court entered various orders authorizing the Debtors to pay various prepetition claims and granting other relief necessary to help the Debtors stabilize their day-to-day operations and in the case of Komanoff, ensure patient safety. These orders were designed to minimize the disruption of the Debtors' business affairs, ease the strain on the Debtors' relationship with their employees, vendors, patients, and other parties, and facilitate the orderly administration of the Cases. These included:

a. an order authorizing the Debtors to obtain postpetition secured superpriority financing and utilize cash collateral [Docket Nos. 12, 45, and 76];

b. an order authorizing the Debtors' payment of pre-petition employee wages, salaries, and other compensation, and maintenance of certain benefit programs [Docket Nos. 7, 34, and 78];

c. an order authorizing the Debtors to continue their insurance policies, and all agreements related thereto, and pay all obligations in respect thereto [Docket Nos. 9 and 77];

d. an order granting an extension of time for the Debtors to file (a) statements of financial affairs and (b) schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases [Docket Nos. 3 and 33];

e. an order enjoining utility providers from terminating service to the Debtors and establishing procedures for determining requests for additional adequate assurance [Docket Nos. 8 and 82];

f. an order authorizing the Debtors to maintain their cash management system and existing bank accounts, and to use existing business forms [Docket Nos. 6, 39 and 84];

g. an order granting procedural consolidation of the Debtors' cases and authorizing joint administration thereof [Docket Nos. 2 and 30]; and

h. an order authorizing the Debtors to prepare a list of creditors in lieu of a mailing matrix and authorizing the Debtors to file a consolidated list of the Debtors' 30 largest unsecured creditors [Docket Nos. 4 and 32].

B. Retention of Debtors' Professionals

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

a. Garfunkel Wild, P.C. ("Garfunkel"), retained as bankruptcy and reorganization counsel [Docket No. 86];

b. GCG, Inc., retained as claims, noticing, and balloting agent [Docket No. 43]; and

c. Loeb & Troper ("L&T"), retained as auditor for Komanoff [Docket No. 225].

The Debtors also employed certain professionals in the ordinary course of their administration of the estates pursuant to the *Order Granting Application to Employ Professionals Utilized in the Ordinary Course of Business* entered by the Court on April 30, 2014 [Docket No. 153].

C. Appointment of Creditors' Committee and Professionals

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors to represent the interests of the creditors in these Cases. On February 28, 2014, the Office of the United States Trustee (the "U.S. Trustee") appointed the Official Committee of Unsecured Creditors (the "Committee"). The persons or entities appointed to the Committee were as follows:

1199 SEIU United Healthcare Workers East ("1199")

ChemRx

Atlantic Dialysis Management Services, LLC

The Committee retained Klestadt Winters Jureller Southard Stevens, LLP f/k/a Klestadt & Winters, LLP as its bankruptcy counsel [Docket No. 92] and originally retained Deloitte Transactions and Business Analytics LLP as its financial advisors [Docket No. 129]. Thereafter, the Committee retained Polsky Advisors LLC as its financial advisors from July 28, 2014 to September 30, 2014 [Docket No. 290] and Getzler Henrich & Associates LLC in the same capacity from October 1, 2014 to the present [Docket No. 294]. The Debtors have and continue to consult with the Committee on every important aspect of these Cases.

D. The Patient Care Ombudsman

On March 13, 2014, the Court entered an order directing the United States Trustee to appoint a patient care ombudsman for Komanoff [Case No. 14-70597, Docket No. 11] but did not require one for LBMC [Docket No. 83]. On March 17, 2014, the U.S. Trustee appointed Laura W. Patt as patient care ombudsman for Komanoff (the "Ombudsman") [Case No. 14-

70597, Docket No. 13]. The Ombudsman was required pursuant to § 333(a)(1) of the Bankruptcy Code to monitor Komanoff's quality of patient care and to represent the interests of Komanoff's patients. The Ombudsman retained Tarter Krinsky & Drogin LLP as her counsel [Case No. 14-70597, Docket No. 22], and Vernon Consulting, Inc. as her medical operations advisor [Case No. 14-70597, Docket No. 28].

The Debtors cooperated with the Ombudsman in her efforts to monitor and evaluate patient care and safety at the Komanoff facility. Following the appointment of MLAP, as receiver of Komanoff pending the closing of the sale of Komanoff's assets to MLAP, the Debtors and the Ombudsman entered into a stipulation discharging the Ombudsman from her duties. The Court approved the stipulation and discharged the Ombudsman from her duties on March 2, 2015 [Docket No. 365].

As LBMC ceased patient related operations prior to the Petition Date, the Court determined that no patient care ombudsman was necessary for LBMC [Docket No. 83].

E. The FEMA Motion and Remaining FEMA Claims

On March 21, 2014, the Debtors filed the *Debtors' Motion For Entry Of An Order Authorizing Debtors To Continue To Segregate And Use Funds Received From The Federal Emergency Management Agency And To Use Such Funds To Pay Designated Creditors Irrespective Of Whether Their Claims Arose Pre Or Postpetition* (the "FEMA Motion") [Docket No. 105]. On April 25, 2014, the Court entered an order granting the FEMA Motion thereby allowing the Debtors to segregate all FEMA Funds, remit payment of FEMA Funds to eligible recipients for which the Debtors had not yet remitted payment for goods and services, and to retain all FEMA funds the Debtors received on account of payments the Debtors previously remitted to FEMA Vendors [Docket No. 150].

Thereafter, the Debtors continued to prepare and submit PWs, and, to the extent funds were received, the Debtors remitted payments to those FEMA Vendors who were entitled to such funds. Accordingly, FEMA Claims against the Debtors' Estates have been reduced to between approximately $3 million and $4 million in the aggregate, all or substantially all of which is expected to be reimbursed by either FEMA or the NYS FEMA Match Program.[3] Additionally, the Debtors currently hold approximately $2.25 million in FEMA Funds which, subject to complying with the necessary closeout requirements of FEMA and the NYS FEMA Match Program, will either be returned to FEMA as overpayments, used to pay open claims by FEMA Vendors, or remitted to the Estate of the appropriate Debtor as reimbursement for "forced labor" reimbursable by FEMA.

The Debtors continue to have discussions with the representatives of OEM, DOH-ES, and GOSR, among others regarding the status of payments under the terms NYS FEMA Match Program. The availability and timing of such payments are contingent on, approval by DOH-ES, GOSR, the New York State Office of the Budget, and the New York State Controller's Office as well as, among other things, the satisfactory completion of an A133 audit, the repayment of

[3] The Debtors are only aware of one FEMA Vendor asserting an administrative claim. The Debtors assert that the terms of that FEMA Vendor's contract expressly provide that no amounts are due and payable unless and until FEMA Funds are first received by the Debtors.

overpayments, if any, and possibly satisfying the statutory requirement of paying FEMA Claims before receiving reimbursement from the NYS FEMA Match Program.

F. Use of Cash Collateral and Debtor in Possession Financing

SNCH DIP Loan and the Use of Cash Collateral

On the Petition Date, the Debtors filed a motion seeking entry of an interim and final Order granting approval for postpetition financing from SNCH and use of cash collateral. The financing was necessary to provide critical funding for the administration of the Cases as well as the wind down of the Debtors' ongoing operations. Under the proposed financing arrangement, it was contemplated that SNCH would advance up to $4.5 million to the Debtors and the Debtors would be permitted to use the cash collateral of the Komanoff Estate. The financing terms consisted of $4.5 million on a multiple draw term loan (the "DIP Facility"), provided by SNCH to the Debtors, pursuant to that certain Debtor in Possession Loan and Security Agreement, (the "DIP Loan Agreement") dated as of February 21, 2014.

The DIP Loan Agreement was the product of arm's length negotiations between the Debtors, SNCH, and each party's respective counsel. On February 26, 2014, the Court entered an emergency Order, which among other things, (i) authorized the Debtors to enter into the DIP Loan Agreement and incur obligations under the DIP Facility, which obligations were afforded administrative superpriority and secured by senior liens on substantially all assets pursuant to §§ 364(c) and (d) of the Bankruptcy Code, (ii) authorized the Debtors to utilize certain cash collateral pursuant to § 363 of the Bankruptcy Code and (iii) granted adequate protection (the "Emergency DIP Financing Order") [Docket No. 45]. The Emergency DIP Financing Order authorized the Debtors to (i) borrow $900,000 from SNCH and utilize certain cash collateral and (iii) grant SNCH a superpriority administrative expense claim and first priority and senior lien with respect to all borrowings under the DIP Facility, all on an interim basis, pending a final hearing on the DIP Facility.

On March 12, 2014, the Court entered an order approving the DIP Loan Agreement and the DIP Facility, as well as the use of Komanoff's cash collateral, on a final basis (the "Final DIP Financing Order") [Docket No. 76]. Pursuant to the Final DIP Financing Order, the Debtors were authorized to borrow up to $4.5 million from SNCH (less any portion of the $900,000 previously accessed under the Emergency DIP Financing Order). The Final DIP Financing Order granted SNCH similar protections as granted in the Emergency DIP Financing Order. The DIP Facility provided the Debtors with the funding necessary to ensure that the Debtors were able to fund their postpetition operating requirements and preserve and maintain their properties and the infrastructure of their businesses pending the sale of their assets.

As previously mentioned, pursuant to a Court approved settlement between the Debtors, the Committee, and SNCH in connection with the sale of the LBMC Assets, the $4.5 million DIP Facility, including all interest and expenses, was credited against the LBMC purchase price at closing, thereby satisfying all obligations owed to SNCH on account of the DIP Facility.

MLAP DIP Loan

In connection with the sale of the Komanoff Assets, discussed more fully below, the Debtors needed additional working capital to fund operations and the costs of administration of these Cases. On November 24, 2014, the Debtors filed a motion (the "MLAP DIP Motion") seeking Court approval to borrow up to $1.5 million on a term loan basis from MLAP (the "MLAP DIP Facility") [Docket No. 312]. On December 5, 2014, SNCH filed an objection to the MLAP DIP Motion which argued that the proposed MLAP DIP Facility would (i) significantly jeopardize SNCH's collateral position with respect to its prepetition debt obligation, (ii) violate adequate protections previously granted to SNCH, and (iii) be used to fund non-operating expenses [Docket No. 324].

On December 18, 2014, the Court entered an Order overruling SNCH's objection, allowing the Debtors to utilize the full amount of MLAP's deposit to satisfy administrative expenses of the Debtors' Estates, and authorizing the Debtors to enter into the MLAP DIP Facility (the "MLAP DIP Order"), but only allowing the Debtors to borrow up to $800,000 of the total $1,500,000 facility, subject to further Court Order [Docket No. 336]. Additionally, the MLAP DIP Order granted MLAP a first-priority senior perfected lien on, and security interest in, Komanoff's assets excluding Avoidance Actions and the proceeds thereof, and a super-priority claim pursuant to § 364(c)(1) of the Bankruptcy Code, over any and all administrative expenses. The Debtors never sought Court approval to access the remaining $700,000 under the MLAP DIP Facility.

Upon the closing of the sale of Komanoff's Assets to MLAP, the Debtors credited $800,000 of the purchase price to fully satisfy all of their obligations under the MLAP DIP Facility.

G. Sale of Debtors' Assets

Initial Proposal for Sale of All the Debtors' Assets

On the Petition Date, the Debtors' filed the *Debtors' Motion for Entry of (I) an Order (A) Approving Bidding Procedures for the Sale of the Debtors' Real Estate and Designated Personal Property Assets, (B) Scheduling an Auction and Sale Hearing Related Thereto, (C) Approving the Form of Notice of the Auction and Sale Hearing, (D) Approving a Termination Fee and Expense Reimbursement* (the "Bidding Procedures Motion")*; and (II) an Order (A) Approving such Sale of the Assets Free and Clear of Liens, Claims, Encumbrances and Other Interests, (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with such Sale, (C) Allowing the Payment of Certain Valid Lien Claims and (D) Related Relief* (the "Sale Motion") [Docket No. 13] which sought approval of the Prepetition APA, subject to higher or better bids. The proposed sale of substantially all of the Debtors' assets (the "Proposed Sale") to SNCH, as the stalking horse bidder, consisted of total consideration of $21 million, before considerable purchase price adjustments.

On March 13, 2014, the Court entered an Order (the "Bidding Procedures Order") which, among other things, authorized the Debtors to conduct an auction (the "Auction") in connection with the Proposed Sale [Docket No. 81].

Prior to the Auction, the Debtors and the Committee determined that there were four (4) qualified bids for Komanoff's assets, in addition to SNCH's bid for both LBMC and Komanoff, but no qualified bids for LBMC's assets other than SNCH's. The Auction was held on May 6, 2014. At the Auction, it was determined that the most value could be obtained by selling the assets of LBMC and Komanoff separately. After negotiations among the Debtors, the Committee, and SNCH, SNCH agreed to revise its bid to purchase only LBMC's assets (the "LBMC Assets"). MLAP was selected as the highest bidder for Komanoff's assets (the "Komanoff Assets"). The Auction resulted in significantly more value to the Debtors' Estates and, ultimately, its creditors.

Sale of the LBMC Assets

After the Auction, the Debtors and SNCH negotiated the terms of a stipulation (the "Sale Stipulation") modifying the terms of the asset purchase agreement between LBMC and SNCH. Under the Sale Stipulation, the purchase price for the LBMC Assets was $10.25 million, subject to certain assumptions and adjustments. Among other things, (i) a debtor-in-possession loan provided by SNCH, as approved by Court Order dated March 12, 2014, in the amount of $4.5 million, plus accrued interest and expenses, was credited against the purchase price for the sale of the LBMC Assets; (ii) $1.25 million of the cash portion of the purchase price was allocated as consideration paid for the sale and transfer of the Debtors' rights in causes of action under Chapter 5 of the Bankruptcy Code ("Avoidance Actions"); (iii) SNCH was afforded a revised termination fee and expense reimbursement (collectively, the "Termination Fee") in the reduced aggregate amount of $450,000; and (iv) SNCH was to be paid all amounts owed under the SNCH Pre-Petition Credit Agreement from the proceeds of any sale of the Komanoff Assets. Additionally, SNCH agreed to assume up to $1 million of LBMC's employee obligations, which obligation was satisfied by the establishment of fund for the sole and exclusive benefit of the former employees, (the "SNCH Employee Consideration") and paid $500,000 for LBMC's furniture, fixtures, and equipment.[4]

On May 22, 2014, the Court entered Orders approving the terms of the Sale Stipulation [Docket No. 186] and the sale of the LBMC Assets to SNCH (the "LBMC Sale Order") [Docket No. 184] free and clear of all liens, claims, encumbrances and other interests all as provided in the Sale Stipulation.

The closing of the Sale to SNCH was effective as of 12:01 a.m. on October 17, 2014 (the "LBMC Sale Effective Date") [Docket No. 272]. The LBMC Assets sold to SNCH primarily consisted of the following groups of real estate (each a "Property Grouping"): (1) a hospital facility (the "Hospital Campus"), (2) an adjacent parking lot ("Parking Lot"), (3) the FACTS Center[5], and (4) the Offsite Premises. After applying the closing proceeds to pay back certain obligations, including the DIP Facility (as defined herein), as expressly required by the Sale Stipulation, and setting aside certain amounts for carve outs, the net proceeds of the LBMC sale

[4] In addition, a dispute remains as to up to roughly $36,000 in fees allegedly incurred in connection with the sale of LBMC's furniture, fixtures, and equipment. The Debtors are holding the $36,000 in escrow and anticipate that this issue will be resolved consensually.

[5] FACTS, located in a separate building from the Hospital, was an outpatient treatment facility which specialized in substance abuse services.

were $3,160,329.37 for LBMC's real property assets, $1.25 million for the sale of Avoidance Actions, and $500,000 for the sale of LBMC's furniture, fixtures, and equipment.

Shortly after the LBMC Sale Effective Date, LBMC's former chief wind-down officer distributed letters to LBMC's former employees notifying them of the amount of their claim, based on LBMC's books and records, giving each employee an opportunity to dispute such amount. The notice provided that in the absence of an objection/response the stated amount would become the amount of their claim and used for all purposes, including making their pro-rata distributions of the SNCH Employee Consideration. An initial 30% distribution was made to former LBMC employees from the SNCH Employee Consideration, with an expected supplemental distribution to be made in the future. Distributions from the SNCH Employee Consideration first satisfied any Allowed Administrative or Priority Claims held by the former employees, with any additional amounts being a payment on account of such former employees' Allowed Unsecured Claims.

Sale of the Komanoff Assets

The original terms of MLAP's winning bid for Komanoff's assets included $15.6 million in cash consideration, assumption of $1.1 million in healthcare program related liabilities, and assumption of paid time off and severance obligations for Komanoff employees. The bid also included a commitment to advance $1.5 million of additional financing to the Estates (to ultimately be credited against the purchase price), as more fully discussed in Section III.F above.

On May 22, 2014, the Court entered an order (the "MLAP Sale Order") [Docket No. 185] approving, among other things, the sale of Komanoff's assets to MLAP pursuant to certain purchase agreements by and between Komanoff and MLAP, each dated as of May 8, 2014 (collectively, the "MLAP APA") and which authorized Komanoff to enter into a receivership agreement with MLAP (the "Receivership Agreement").

Given Komanoff's weak cash position at that time, and the anticipated receiver's commitment to operate on its own account (i.e., funding and assuming all losses during the Receivership Period) it was presumed by the parties that DOH would quickly appoint MLAP, or one or more of its members, as the receiver for Komanoff. Accordingly, shortly after entry of the MLAP Sale Order, the Debtors formally requested that DOH appoint a receiver for Komanoff pending the closing of the sale to MLAP. On or about July 2, 2014, citing New York Public Health Law § 2810(1), DOH denied Komanoff's request because, in its determination, the appointment of a receiver was not necessary. DOH determined that Komanoff's bankruptcy and continuing losses did not appear to be adversely impacting the care of the residents.

Thereafter, representatives for the Debtors, the Committee, and MLAP were in regular contact with DOH and each other to address the need for a receiver, the Debtors' deteriorating financial condition, and the changing regulatory landscape in the State of New York. During the course of those discussions, the Debtors demonstrated that, while they continued to hold patient safety of paramount importance, internal projections showed a developing liquidity crisis with Komanoff unable to continue funding day-to-day operations for any extended period. Accordingly, DOH ultimately agreed to approve the receivership. On November 3, 2014 DOH approved an amended form of the Receivership Agreement (the "Amended Receivership

Agreement") and effective as of November 3, 2014 at 12:01 p.m., MLAP assumed control of Komanoff, as receiver (the "Receivership Effective Date"). The essential terms of the Amended Receivership Agreement included:[6]

> MLAP, as receiver (the "Receiver"), was to operate the Komanoff business, including, without limitation, the provision of patient care, on and after Receivership Effective Date for its own account and Receiver was solely responsible for all capital requirements of the business from and after the Receivership Effective Date.
>
> ***
>
> The Receiver was authorized to borrow from Komanoff up to $785,000 of the proceeds of accounts receivable generated prior to the Receivership Effective Date (which otherwise constituted the property of Komanoff and an Excluded Asset), and utilize such money to fund the expenses and liabilities arising out of, and relating to, the operation of Komanoff from and after the Receivership Effective Date.
>
> ***
>
> The Receiver was obligated to pay all expenses and liabilities arising out of, and relating to, the operation of Komanoff's business from and after the Receivership Effective Date.
>
> ***
>
> The Receiver would (a) honor and pay any wage payment obligations for vacation, holiday time, sick pay, and personal days which accrued prior to the Receivership Effective Date; (b) make any regularly scheduled contributions to any funds that arise under any collective bargaining agreement as a consequence of satisfying any such obligation or liability of Seller; and (c) pay any severance obligations for employees terminated during the Term of Receivership.

While addressing DOH's concerns regarding the appointment of a receiver and subsequently negotiating the terms of Amended Receivership Agreement, it became apparent to the Debtors and MLAP that the DOH was using the certificate of need ("CON") approval process as a means of reducing the aggregate number of nursing homes beds it would license in connection with the transfer of nursing homes. DOH had also begun to impose various construction and capital requirements in the CON approval process, which the Debtors and MLAP had not taken into account as part of MLAP's bid for Komanoff's assets. These new requirements potentially impacted the financial viability of MLAP's purchase and the attendant regulatory approvals needed to close.

Accordingly, the Debtors, the Committee, and MLAP agreed to restructure the sale terms, and on October 28, 2014, the Debtors filed the *Joint Motion to Authorize/Direct to Approve Amendments to the Purchase and Sale Agreement, Asset Purchase Agreement, and Receivership Agreement Relating to the Sale of the Assets and Properties of Long Beach Memorial Nursing Home, Inc.* [Docket No. 277] which, among other things, sought Court approval of amendments

[6] The terms of the Amended Receivership Agreement, to the extent provided herein, are provided for informational purposes and are intended to be a summary of the essential terms. Parties are encouraged to review the Amended Receivership Agreement [Docket No. 277, Ex. D].

to the MLAP APA including: (i) an increased purchase price of $15.825 million, if a CON was approved by DOH for all 200 beds in connection with the Komanoff Sale; (ii) a per-bed credit of $81,500 against the increased purchase price if a CON was approved by DOH for less than 200 beds, but more than 150 beds; (iii) an additional per bed credit of $77,000 for each bed under 150 beds not approved by DOH; (iv) the limited use by MLAP, as receiver, of up to $785,000 of pre-receivership accounts receivable, which receivables were to be repaid to Komanoff on the earlier of termination of the Amended Receivership Agreement, conditional CON approval, or 150 days from the effective date of the Amended Receivership Agreement; and (v) the repayment by Komanoff of up to $1.5 million in advances made by MLAP if CON approval was not obtained and a sale with a third party is consummated on the same or better terms than those between the Debtors and MLAP.

On December 18, 2014, the Court approved the motion, and entered an Order approving certain amendments to the MLAP APA and further amendments to the Amended Receivership Agreement [Docket No. 335].

Among the obligations MLAP ultimately assumed were accrued benefits for Komanoff's employees who were employed on the Receivership Effective Date including, without limitation, vacation, holiday time, sick pay, personal days, and any CBA required contributions to any fund related to any such obligations (collectively, the "Accrued Benefits"). After discussions between the Debtors and MLAP, the parties determined that certain employees (the "Shared Employees") earned a majority of their Accrued Benefits while employed by LBMC. The Debtors and MLAP discussed and agreed that it would be inequitable for MLAP to fully assume the Shared Employees' Accrued Benefits under the terms of the Amended Receivership Agreement and the MLAP APA. Accordingly, on August 25, 2016, the Debtors filed a motion [Docket No. 525] seeking approval of a non-material modification to the Komanoff sale documents whereby MLAP was to assume liability for 30% of the Shared Employees' Accrued Benefits, with the remaining 70% portion becoming an obligation of LBMC's Estate. On September 29, 2016, the Court entered an Order approving the motion [Docket No. 531].

The sale of the Komanoff Assets closed on August 29, 2016. In addition to the $1.23 million MLAP previously paid as a deposit, after applying the closing proceeds to pay back certain obligations, including obligations under the MLAP DIP Facility (as defined herein), the Debtors received $9,719,085 at closing. Pursuant to the Sale Stipulation between the Debtors and SNCH, a portion of the aforementioned proceeds of the Komanoff Sale were used to satisfy $2,216,259.10 in outstanding SNCH Pre-Petition Obligations and the $450,000 Termination Fee, thereby satisfying such obligations in full.

H. DISPUTES AND RESOLUTION RELATING TO LIEN PRIORITIES

PBGC Settlement

As set forth in Section II.B.4, prior to the Petition Date, the Debtors sponsored two (2) Pension Plans covering substantially all employees. The Pension Plans terminated on July 31, 2009. As a result of the termination and previously unpaid pension contributions, substantial liability arose against the Debtors for pension termination underfunding, unpaid contributions, unpaid special termination and pension insurance premiums. A significant portion of that

liability became subject to federal tax liens. As a result, PBGC became the Debtors' largest secured and unsecured creditor, holding federal liens against the Debtors' assets in excess of $9.5 million and asserted unsecured claims of more than $54 million, approximately 90% of the unsecured claims pool. The Debtors and the Committee, through their counsel and financial advisors, investigated the PBGC Claims and after reviewing a substantial number of documents related to the PBGC Claims, the Debtors' and Committee's professionals concluded that the PBGC Claims and associated liens were subject to certain disputes and potential objections

In an effort to resolve the dispute with respect to all of PBGC's Claims, the Debtors, the Committee, and PBGC entered into settlement discussions which ultimately resulted in a settlement agreement (the "PBGC Settlement"). On July 30, 2015 the Debtors and the Committee filed a joint motion to approve the PBGC Settlement (the "PBGC Settlement Motion") [Docket No. 421] which was approved by Court Order on November 12, 2015 (the "PBGC Settlement Order") [Docket No. 455]. The PBGC Settlement provided PBGC with, among other things, (i) a secured claim of $9,546,934, in satisfaction of which it agreed to accept payment of $8.5 million, which Claim remains entitled to joint and several liability across the LBMC and Komanoff Estates (the "PBGC Secured Claim") and (ii) an allowed unsecured claim of $54,092,046.12 entitled to joint and several liability across the LBMC and Komanoff Estates, less any amount paid on account of PBGC's secured claim, subject to "subordination treatment" as set forth in the PBGC Settlement (the "PBGC Unsecured Claim").

"Subordination treatment" under the PBGC Settlement outlines a "waterfall" of payments between PBGC and other general unsecured creditors:

> PBGC subordinated its right to payment on account of the PBGC Unsecured Claim to that of other unsecured creditors, such that (i) the first $1,500,000.00 of distributable value, if any, after satisfaction of senior claims (secured, administrative and priority) will be paid only to Non-PBGC General Unsecured Creditors; (ii) once the full value of the $1,500,000.00 subordination amount is utilized, PBGC will then be entitled to share pari-passu along with Non-PBGC General Unsecured Creditors until the point at which a total of $2,750,000.00 in aggregate distributions have been paid to Non-PBGC General Unsecured Creditors between the Debtors' Estates; (iii) the next $2,500,000.00 in distributable value will be paid only to and for the benefit of the PBGC on account of the PBGC Unsecured Claim; and (iv) any additional distributable value thereafter will be shared pari-passu between and among the PBGC and Non-PBGC General Unsecured Creditors.

First Central Motion, Adversary Proceeding, and the Resulting Lien Stipulation

As noted in Section II.B.3 above, as of the Petition Date, First Central held a first priority lien in the Offsite Premises. In connection therewith, prior to the Petition Date, First Central was holding cash, totaling approximately $380,000 (the "First Central Insurance Proceeds"), for damages arising from Superstorm Sandy and fire losses to a number of the Offsite Premises. At the request of First Central, on March 20, 2015, the Court entered an Order modifying the automatic stay and permitting First Central to apply $288,302.44 of the First Central Insurance Proceeds that were not subject to mechanics' liens towards the reduction of the principal amount

of First Central's Secured Claim [Docket No. 385]. On April 16, 2015, the Court entered an Order modifying the automatic stay to permit First Central to release the remaining $94,779.90 of the First Central Insurance Proceeds to holders of mechanics' liens [Docket No. 393].

On June 18, 2015, First Central commenced an adversary proceeding (the "Adversary Proceeding") by filing a complaint (the "First Central Complaint") against LBMC, DASNY, and PBGC. As set forth in the First Central Complaint, First Central sought a determination of the extent, validity, and priority of all liens, claims, interests, or other encumbrances asserted in, on, to, or against the proceeds of the sale of the LBMC Assets, which included the Offsite Premises. In addition, First Central sought an Order directing the Debtors' to pay $2,335,781.44 (the amount First Central asserted it was due on account of its consolidated note) to First Central from the sale proceeds of the LBMC Assets.

In an effort to avoid potentially costly and protracted litigation, the Debtors, Committee, First Central, DASNY, and PBGC entered into extensive negotiations which ultimately resolved the Adversary Proceeding and established the priority of the Secured Claims of First Central, DASNY, and PBGC (the "Lien Stipulation").

On November 12, 2015, after notice on all parties entitled thereto, and a hearing, the Court entered an Order approving the Lien Stipulation [Adv. Case 15-08197, Docket No. 14], thereby establishing the extent and priority of the First Central, DASNY, and PBGC liens among the LBMC Assets, as of the Petition Date.

Pursuant to the LBMC Sale Order, the lien priorities provided in the Lien Stipulation attached to the sale proceeds in the same order of priority that they would have otherwise had with respect to the assets. The proceeds of the sale of the LBMC Assets were insufficient to satisfy fully the Secured Claims of First Central, DASNY, and PBGC. Thus, no other party has secured rights in such proceeds including, without limitation, holders of mechanics liens.

The following chart summarizes the priority and validity of the various claims as agreed to in the Lien Stipulation:

Claim	Validity	Priority
DASNY Claim	Allowed in the amount of $1,252,000.00	First priority secured lien on the Parking Lot.
First Central Claim	Allowed in the amount of $2,335,781.41	First priority secured lien on the Offsite Premises.

PBGC Claims	(i) PBGC Secured Claim: secured claim of $9,546,934 and cash payment in full satisfaction of its secured claim in an amount of up to $8,500,000.00 subject to joint and several liability across the LBMC and Komanoff Estates in the aggregate; (ii) PBGC Unsecured Claim: $54,092,046.12, less any amount paid on PBGC's Secured Claim and subject to the subordination treatment as set forth in the PBGC Settlement Order.	PBGC Secured Claim recognized as a first priority secured lien on the Hospital Campus and all other assets, except for the Parking Lot, and Offsite Premises, upon which it held a second priority secured lien.

In addition, the parties to the Lien Stipulation agreed that the allowed amounts of the DASNY and First Central Claims would be deemed secured and the portion of the net proceeds from the sale of the LBMC Assets payable on account of each respective allowed Claim would be determined at a later date, subject to Court approval.

The Initial Allocation Motion and the Amended Allocation Motion

On July 30, 2015, in an attempt to determine how the net sale proceeds of the LBMC Assets should be allocated, the Debtors and the Committee filed their initial motion seeking an order approving the allocation of proceeds from the sale of the LBMC Assets (the "Initial Allocation Motion") [Docket No. 422], suggesting that the relative values of each Property Grouping should be keyed to the relative assessed tax values.

After significant discussions and negotiations among the parties, the Debtors and the Committee filed an amended allocation motion (the "Amended Allocation Motion") which proposed an allocation methodology based upon an appraisal (the "C&W Appraisal") of the LBMC Assets prepared by Cushman & Wakefield of Connecticut, Inc. ("C&W") [Docket No. 467]. The Debtors and the Committee asserted that using the C&W Appraisal was a fair and reasonable alternative to the assessed tax value methodology, and one which both PBGC and DASNY agreed to support.

First Central filed an objection to the Amended Allocation Motion (the "First Central Objection") [Docket No. 475] raising purported concerns with the valuation methods used by C&W in its appraisal.

After extensive arm's length negotiations where each party was represented by counsel, in order to reduce the risk and expense associated with litigating the Amended Allocation Motion, and to provide for the prompt and efficient resolution of the allocation of the proceeds

from the sale of the LBMC Assets, the parties determined that they would be better served by amicable resolution of the contested matter.

The Allocation Stipulation

As more fully set forth in the stipulation between the Debtors, the Committee, First Central, DASNY, and PBGC (the "Allocation Stipulation"), the parties agreed to the following terms:

(i) **First Central Claim.** In full and final settlement of the First Central Claim, including any Secured Claim, the Debtors agreed to pay First Central $885,000 from the sale proceeds of the LBMC Assets. Upon payment of the settlement amount, First Central was to have no further rights or Claims against the Debtors' Estates.

(ii) **DASNY Claim.** In full and final settlement of the DASNY Claim, including any Secured Claim, the Debtors agreed to pay DASNY $850,000 from the sale proceeds of the LBMC Assets. Upon payment of the settlement amount, DASNY was to have no further rights or Claims against the Debtors' Estates.

(iii) **PBGC Claims.** The balance of the sale proceeds from the LBMC Assets, or the sum of $1,425,329.37, was to be paid to PBGC on account of its Secured Claim. PBGC was entitled to retain: (i) its Secured Claim less any amount paid on account of the sale proceeds from LBMC Assets; and (ii) its Unsecured Claim. The PBGC Claims remained subject to the subordination treatment and other compromises as set forth in the PBGC Settlement Order.

On May 11, 2016, the Court entered an order approving the Allocation Stipulation [Docket No. 506], and, thereafter, LBMC made the necessary payments to First Central, DASNY, and PBGC, pursuant to the terms of the Allocation Stipulation. Accordingly, neither First Central nor DASNY have remaining Claims against the Debtors' Estates.

I. The Records Retention Agreement

In the course of the Debtors' provision of health care services, the Debtors generated a large volume of records, including business and patient medical records (the "Records"). Under various federal and state laws, the Debtors have obligations with respect to the long-term storage, provision of patient access and ultimate destruction of such Records. In order to provide for the discharge of these obligations in accordance with the requirements of law, the Debtors entered into an agreement with CitiStorage LLC, a Recall Company ("CitiStorage"), pursuant to which CitiStorage agreed to retain the Records, fulfill appropriate requests therefor, and ultimately dispose of such Records. In a motion dated October 11, 2016 [Docket No. 533], the Debtors sought Court approval of the agreement with CitiStorage which was approved by a Court Order entered on December 1, 2016 [Docket No. 544]. Thereafter, the Debtors completed the transfer of the Records to CitiStorage.

The Debtors also had certain records damaged during Superstorm Sandy which were removed and frozen by a certain FEMA Vendor. Those records were stored by the FEMA Vendor at a third party location and, to date, such records remain with the FEMA Vendor. Issues remain as to whether or not such records can ultimately be restored or will instead need to be destroyed. The Debtors, or the Plan Administrator, as applicable, will continue to work with the FEMA Vendor to resolve the outstanding issues surrounding these records.

J. Claims Process and Bar Dates

On March 19, 2014, the Debtors filed their schedules of assets and liabilities and statements of financial affairs with the Court [Docket Nos. 96-99], which were amended on January 23, 2015 [Docket No. 345] (the "Schedules"), which set forth, among other things, amounts the Debtors believe they owe to various parties. In order to allow creditors to assert Claims and allow the Debtors to gauge the full extent of Claims by a date certain, the Court established a deadline for the filing of any pre-petition claims against the Debtors. On February 26, 2014, the Court entered an order (the "General Bar Date Order") setting April 25, 2014 as the general bar date for creditors of the Debtors' Estates to file proofs of claim relating to the pre-petition period (the "General Bar Date") and August 18, 2014 for governmental units to file proofs of claim against the Debtors' Estates [Docket No. 41]. The General Bar Date Order provides, except as set forth therein, that any holder of a pre-petition Claim that fails to file a timely proof of claim on or before the Bar Date shall not be permitted to vote to accept or reject any plan of liquidation or to participate in any distribution in the Cases on account of such Claim. Pursuant to the General Bar Date Order, for those creditors listed on the amended schedules filed by the Debtors on January 23, 2015, February 23, 2015 was set for such creditors of the Debtors' Estates to file proofs of claim relating to the pre-petition period.

Prior to seeking Court approval of this Disclosure Statement, the Debtors requested that the Court establish a deadline for the filing of all administrative claims against the Debtors, incurred from and after the Petition Date, February 19, 2014, through June 30, 2016 [Docket No. 522]. By Order dated August 18, 2016 (the "Administrative Bar Date Order"), the Court established October 19, 2016 (the "Administrative Bar Date") as the deadline for the filing of all Administrative Claims against the Debtors from the Petition Date through June 30, 2016 [Docket No. 523]. The Administrative Bar Date Order also provides, that except as set forth therein, any holder of an Administrative Claim against the Debtors who fails to file a timely administrative claim form on or before the Administrative Bar Date shall not be permitted to participate in any distribution in the Cases on account of such Claim.

Pursuant to the MLAP Sale Order, upon the Receivership Effective Date, MLAP was authorized to operate Komanoff for its own account as receiver under the terms, conditions, and limitations set forth in the Receivership Agreement and that "all obligations, debts and liabilities incurred by [MLAP] shall be the sole responsibility of [MLAP], not [Komanoff]'s estate, and shall not entitle any third party to file a claim, lien or other encumbrance against the Komanoff Debtor's estate." Accordingly, the Debtors intend to object to any Administrative Claims asserted against Komanoff, or any portion thereof, which arose after November 3, 2015 at 12:01 p.m. as being improperly asserted against Komanoff's Estate. For the avoidance of doubt, Creditors holding Claims against Komanoff which arose after the Receivership Effective Date

are not barred by the Administrative Bar Date Order or their failure to file a timely proof of claim from asserting such claim against MLAP.

As of the date hereof, more than 1,900 filed and scheduled claims have been asserted against the Debtors' Estates with an aggregate asserted liability of approximately $580 million. The claims assert varying levels of priority including administrative, secured, unsecured priority and general unsecured. A preliminary review of the Claims indicates approximately 37 Claims are seeking administrative priority for a purported aggregate liability of $1,999,030.41. A total of 105 Claims have been filed or scheduled as Secured Claims with a purported liability of $89,240,723.77. An additional 302 Claims have been filed or scheduled as unsecured priority claims with a total asserted liability of $93,878,152.28. Approximately 1,268 Claims have been filed or scheduled as general unsecured claims asserting total liabilities of $399,685,043.08.

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

K. Executory Contracts and Unexpired Leases

As of the Petition Date, the Debtors were party to numerous executory contracts (*e.g.* employment contracts, service agreements and equipment leases) and leases of non-residential real property. Paragraphs 19-24 of the Bidding Procedures Order provided the manner and timeline for the Debtors to assume, assume and assign, or reject executory contracts in connection with the sales of the Debtors' assets [Docket No. 81]. In connection with the sale of the LBMC Assets, LBMC was authorized to assume and assign or reject LBMC's executory contracts, and, accordingly, during the pendency of the Cases, LBMC filed notices either rejecting or assuming and assigning certain LBMC executory contracts [Docket Nos. 194, 220, and 262]. In connection with the sale of the Komanoff Assets, Komanoff was authorized by Court Order to assume, assume and assign, or reject executory contracts through and including confirmation of any plan in these Cases [Docket No. 406]. The Plan provides for rejection of all remaining executory contracts.

L. The State of New York Department of Labor Claims

The Debtors are each not-for-profit corporations under § 501(c)(3) of the Federal Internal Revenue Code, and, as such, were able to elect one of two payment methods for discharging its obligations to the New York State Department of Labor (the "DOL"), referred to as either the "reimbursement" or "tax contribution" options. Those employers that elect the tax contribution basis remit funds to the DOL periodically as a tax. This tax is based on the employer's applicable tax rate and the annual compensation paid to its employees.

Employers that elect the reimbursement option do not make periodic payments and instead are only obligated to repay the DOL for unemployment benefits actually paid out to former employees. Like many not-for-profits, the Debtors elected to satisfy their unemployment obligations on a reimbursement basis. Accordingly, after Superstorm Sandy the Debtors'

obligations to the DOL rose precipitously at the same time their revenue stream collapsed, giving rise to a potential Claim for non-payment.

The DOL filed Claims in these Cases which assert that LBMC and Komanoff owe $3,469,855.72 and $546,458.71, respectively, on account of unemployment benefits the DOL paid to the Debtors' terminated employees. The DOL asserts that these Claims are either secured by state tax liens or tax warrants, or are otherwise entitled to priority status as taxes. The Plan Proponents disagree with such assertions.

On December 28, 2016, the Debtors and the Committee filed a joint motion seeking entry of a Court Order approving a stipulation between LBMC and the DOL amending and reclassifying DOL's claims against LBMC's Estate as an allowed priority claim of $300,000 and an allowed general unsecured claim for $3,169,855.72 [Docket No. 548]. On January 30, 2017, the Court entered an Order approving the stipulation [Docket No. 552]. The DOL's claims against Komanoff's Estate were unaffected by the stipulation.

M. The Universal Settlement

During the pendency of the Cases, the State of New York (the "State") and nursing home industry attorneys agreed to the terms of a settlement (the "Universal Settlement") whereby, in exchange for surrendering certain backlogged Medicaid rate appeals and lawsuits against the State, which relate to the prepetition period, facilities would receive $850 million, in the aggregate, in five annual equal installments. Pursuant to the terms of the Universal Settlement, Komanoff's share of the Universal Settlement is approximately $1.8 million, in the aggregate (the "Komanoff Share"), to be paid as five (5) annual equal distributions from the State or State agencies.

MLAP, the purchaser of Komanoff's assets, has asserted rights to all or a portion of the Komanoff Share. The Plan Proponents disagree with such assertion and the State is currently holding the first two (2) of the five (5) Komanoff Share distributions pending a determination as to the rightful owner of such funds. The Debtors continue to work with MLAP in an attempt to reach a consensual resolution, however, there can be no assurance that such a resolution will be achieved. Moreover, in the absence of a consensual resolution, the outcome of any litigation is uncertain.

N. Avoidance Actions

As part of the sale of the LBMC Assets, the Debtors sold LBMC's rights to Avoidance Actions to SNCH in exchange for $1.25 million. With respect to Komanoff's Avoidance Actions, during the pendency of the Cases the Debtors, in consultation with the Committee, reviewed the potential causes of action, along with the anticipated defenses, and collectively determined that due to the minimal value of the potentially avoidable transactions, no Avoidance Actions would be initiated or pursued.

IV. OVERVIEW OF THE PLAN

A. General

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

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

B. Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims of a debtor's creditors into classes containing claims that are substantially similar. Thus, the Plan divides the holders of Claims into two (2) unclassified categories and twelve (12) Classes, and sets forth the treatment offered to each Class.[7]

For the holder of a Claim to participate in a plan of reorganization and receive the treatment offered to the class in which it is classified, its Claim must be "Allowed." Under the Plan, "Allowed," with reference to any Claim, means: (a) such Claim is scheduled by the Debtors pursuant to the Bankruptcy Code and Bankruptcy Rules in a liquidated amount and not listed as contingent, unliquidated, zero, undetermined or disputed, or (b) a proof of such Claim was timely filed, or deemed timely filed, pursuant to the Bankruptcy Code, the Bankruptcy Rules, and/or any applicable Final Order, and, in either case, has not been previously satisfied and (x) is not objected to within the period fixed by the Bankruptcy Code, the Bankruptcy Rules, this Plan, and/or applicable Final Orders of the Court, (y) has been settled pursuant to either Section 9.2 of the Plan, or (z) has otherwise been allowed, or in respect of Medical Malpractice/Personal Injury Claims estimated for distribution purposes, by a Final Order. An "Allowed Claim" shall be net of any amounts previously paid, as well as any valid setoff or

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

recoupment amount based on a valid setoff or recoupment right. Except as otherwise expressly provided herein, the term "Allowed Claim" shall not, for the purposes of computation of distributions under the Plan, include any amounts not allowable under the Bankruptcy Code or applicable law.

The Plan segregates the various Claims against the Debtors into the following categories:

Class	**Claim**
LBMC 1	Allowed PBGC Secured Claim
LBMC 2	Allowed Other Secured Claims
LBMC 3	Allowed Priority Non-Tax Claims
LBMC 4	Allowed FEMA Claims
LBMC 5	Allowed General Unsecured Claims
LBMC 6	Allowed PBGC Unsecured Claim
Komanoff 1	Allowed PBGC Secured Claim
Komanoff 2	Allowed Other Secured Claims
Komanoff 3	Allowed Priority Non-Tax Claims
Komanoff 4	Allowed FEMA Claims
Komanoff 5	Allowed General Unsecured Claims
Komanoff 6	Allowed PBGC Unsecured Claim

Under the Plan, Claims in LBMC Classes 2 and 3 and Komanoff Classes 2 and 3 are unimpaired and Claims in LBMC Classes 1, 4, 5, and 6 and Komanoff Classes 1, 4, 5, and 6 are Impaired. Set forth below is a summary of the Plan's treatment of the various categories and Classes of Claims. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern.

UNCLASSIFIED CATEGORIES OF CLAIMS

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

a. Administrative Claims

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

Estimation of Administrative Claims. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to seek to estimate any unliquidated Administrative Claim if the fixing or liquidation of such Administrative Claim would unduly delay the administration of and distributions under the Plan (including seeking to estimate post-petition indemnification, or Medical Malpractice/Personal Injury Claims in the District Court).

Treatment. Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Claim (other than of a Professional Fee Claim), will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim: (1) on the Effective Date or as soon as practicable thereafter, or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (2) if the Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order of the Court Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (3) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim, without any further action by the Holders of such Allowed Administrative Claims; (4) at such other time that is agreed to by the Debtors and the Holders of such Allowed Administrative Claim; or (5) at such other time and on such other terms set forth by an order of the Court.

b. Priority Tax Claims

Treatment. Unless the Holder thereof shall agree to a different and less favorable treatment, each Holder of an Allowed Priority Tax Claim, in full and complete satisfaction of such Allowed Claim, shall receive payment in Cash from either Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, in an amount equal to such Allowed Priority Tax Claim on or as soon as reasonably practicable after the later of (a) the Effective Date and (b) the date on which such

Claim becomes Allowed. The Debtors estimate that Allowed Priority Tax Claims that remain to be satisfied will be minimal.

c. Professional Fee Claims

Professional Fee Claims Bar Date. All final applications for payment of Professional Fee Claims for the period through and including the Effective Date shall be filed with the Court and served on the Plan Administrator and the other parties entitled to notice pursuant to the Interim Compensation and Reimbursement Procedures Order [Docket No. 93] on or before the Professional Fee Claims Bar Date, or such later date as may be agreed to by the Plan Administrator. Any Professional Fee Claim that is not asserted in accordance with this Section 2.4(a) shall be deemed Disallowed under the Plan and the Holder thereof shall be enjoined from asserting any claim to collect, offset, recoup or recover such Claim against the Estates or any of their respective Assets or property.

Treatment. Each Holder of an Allowed Professional Fee Claim shall be paid in Cash from Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, in an amount equal to such Allowed Professional Fee Claim on or as soon as reasonably practicable after the first Business Day following the date upon which such Claim becomes Allowed by Final Order, unless such Holder agrees to a different and less favorable treatment of such Claim. As of the date hereof, Debtors Counsel has been paid approximately $1,935,466, Committee Counsel has been paid approximately $604,527, the Committee's Financial Advisors have been paid approximately $486,067, the Healthcare Ombudsman was paid approximately $46,357.53, the Healthcare Ombudsman's Counsel was paid approximately $52,446.53, and the Debtor's Claims and Noticing Agent has been paid approximately $523,005. The aforementioned amounts have been paid on an interim basis and remain subject to final fee applications. The Debtors have budgeted an additional $1.5 million for accrued and unpaid fees and expenses through the effective date of the Plan, which amounts include holdbacks from interim distributions.

Post Effective Date Services. The fees and expenses of professionals retained by the Plan Administrator and the Post Effective Date Committee on and after the Effective Date, shall be paid by the Plan Administrator from Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, upon receipt of invoice(s) therefor, or on such other terms as the Plan Administrator and the applicable professional may agree to, without the need for further Court authorization or entry of a Final Order, but subject to the approval of the Post Effective Date Committee, which approval shall not unreasonably be withheld. If the Plan Administrator and the professional cannot agree on the amount of post Effective Date fees and expenses to be paid to such professional, such amount shall be determined by the Court.

d. U.S. Trustee Fees

The Debtors shall pay from Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due and payable under 31 U.S.C. § 3717, if any, on all disbursements, including Plan payments and disbursements in and outside the ordinary course of the Debtors' businesses, until the entry of a final decree, dismissal of the Cases or conversion of the Cases to Chapter 7.

UNIMPAIRED CLASSES OF CLAIMS

A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims in certain classes are to remain unchanged by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims in such "unimpaired" classes. Under the Plan, LBMC Classes 2 and 3, and Komanoff Classes 2 and 3 are unimpaired and, therefore, are deemed to have accepted the Plan.

a. LBMC Class 2 – Allowed Other Secured Claims.

Composition. LBMC Class 2 consists of all Allowed Secured Claims against LBMC other than the Allowed PBGC Secured Claim and any Allowed FEMA Claims. LBMC Class 2 shall be considered a separate sub-class for each Secured Claim. The Debtors do not believe there will be any remaining Allowed Other Secured Claim as of the Effective Date.

Treatment. Except to the extent that a Holder of an Allowed LBMC Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 2 Claim, each Holder of an Allowed LBMC Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such LBMC Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such LBMC Class 2 Claim; (c) receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed LBMC Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed LBMC Class 2 Claim is less than the amount of such Allowed LBMC Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed LBMC Class 5 Claim. LBMC Class 2 is Unimpaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 2 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. LBMC Class 3 – Allowed Priority Non-Tax Claims.

Composition. LBMC Class 3 consists of Allowed Priority Non-Tax Claims against LBMC. The Debtors estimate that Allowed Priority Non-Tax Claims that remain to be satisfied will total between approximately $500,000 and $600,000.

Treatment. Except to the extent that a Holder of an Allowed LBMC Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 3 Claim, each Holder of an Allowed LBMC Class 3 Claim shall be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Court. LBMC Class 3 is Unimpaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 3 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

c. Komanoff Class 2 – Allowed Other Secured Claims.

Composition. Komanoff Class 2 consists of all Allowed Secured Claims against Komanoff other than the Allowed PBGC Secured Claim and any FEMA Claims. Komanoff Class 2 shall be considered a separate sub-class for each Secured Claim. The Debtors anticipate remaining Komanoff Class 2 Allowed Other Secured Claims to be less than $1,000,000.

Treatment. Except to the extent that a Holder of an Allowed Komanoff Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 2 Claim, each Holder of an Allowed Komanoff Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Komanoff Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such Komanoff Class 2 Claim; (c) shall receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Komanoff Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed Komanoff Class 2 Claim is less than the amount of such Allowed Komanoff Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed Komanoff Class 5 Claim. Komanoff Class 2 is Unimpaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 2 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

d. Komanoff Class 3 – Allowed Priority Non-Tax Claims.

Composition. Komanoff Class 3 consists of Allowed Non-Tax Priority Claims against Komanoff. The Debtors estimate that Allowed Priority Non-Tax Claims that remain to be satisfied will total less than approximately $600,000.

Treatment. Except to the extent that a Holder of an Allowed Komanoff Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 3 Claim, each Holder of an Allowed Komanoff Class 3 Claim shall be paid in full in Cash on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Court. Komanoff Class 3 is Unimpaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 3 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

IMPAIRED CLASSES

Pursuant to § 1124 of the Bankruptcy Code, a class of claims is impaired if the legal, equitable, and contractual rights of the holders of claims in such class are modified or altered by a plan. Holders of allowed claims in impaired classes that receive or retain property under a plan of reorganization or liquidation are entitled to vote on such plan. Under the Plan, LBMC Classes 1, 4, 5, and 6 and Komanoff Classes 1, 4, 5, and 6 are impaired and are entitled to vote on the Plan.

a. LBMC Class 1 – Allowed PBGC Secured Claim.

Composition. LBMC Class 1 consists of PBGC's Allowed Secured Claim against LBMC.

Treatment. Except to the extent the Holder of an Allowed LBMC Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 1 Claim, the Holder of such Claim shall receive, in Cash, from the proceeds of PBGC's Collateral up to $7,074,670.63 on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties. LBMC Class 1 is Impaired by the Plan and, therefore, the Holder of an Allowed LBMC Class 1 Claim is entitled to vote to accept or reject the Plan.

b. LBMC Class 4 – Allowed FEMA Claims.

Composition. LBMC Class 4 consists of Allowed FEMA Claims against LBMC.

Treatment. Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from LBMC

Remaining Cash, the Holders of LBMC Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program, on account of their respective Claims. LBMC Class 4 is Impaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 4 Claim is entitled to vote to accept or reject the Plan.

c. LBMC Class 5 – Allowed General Unsecured Claims.

Composition. LBMC Class 5 consists of Allowed General Unsecured Claims which arose prior to the Petition Date. The Debtors estimate that Allowed General Unsecured Claims will total in excess of approximately $13,000,000.

Treatment. Except to the extent that a Holder of an Allowed LBMC Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 5 Claim, each Holder of an Allowed LBMC Class 5 Claim shall be entitled to receive, in Cash:

(a) a pro-rata distribution of Net LBMC Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net LBMC Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed Komanoff Class 5 Claims; plus,

(b) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds, to be shared pari-passu with the Holder of the LBMC Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an amount of additional Net LBMC Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of Komanoff Class 5 Claims; plus,

(c) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net LBMC Proceeds, pari-passu with the Holder of the LBMC Class 6 Claim.

LBMC Class 5 is Impaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 5 Claim is entitled to vote to accept or reject the Plan.

d. LBMC Class 6 – Allowed PBGC Unsecured Claim.

Composition. LBMC Class 6 consists of the Allowed PBGC Unsecured Claim. The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000.

Treatment. In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed LBMC Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash:

(a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds to be shared pari-passu with Holders of Allowed LBMC Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus,

(b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net LBMC Proceeds up to the Subordination Amount; plus

(c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net LBMC Proceeds pari-passu with Holders of Allowed LBMC Class 5 Claims.

e. Komanoff Class 1 – Allowed PBGC Secured Claim.

Composition. Komanoff Class 1 consists of PBGC's Allowed Secured Claim against Komanoff.

Treatment. Except to the extent the Holder of an Allowed Komanoff Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 1 Claim, the Holder of such Claim shall receive, in Cash, the proceeds of PBGC's Collateral up to $7,074,670.63, less any payments by LBMC made pursuant to Section 4.1 of the Plan on account of the LBMC Class 1 Claim, on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties. Komanoff Class 1 is Impaired by the Plan and, therefore, the Holder of an Allowed Komanoff Class 1 Claim is entitled to vote to accept or reject the Plan.

f. Komanoff Class 4 – Allowed FEMA Claims.

Composition. Komanoff Class 4 consists of Allowed FEMA Claims against Komanoff.

Treatment. Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from Komanoff Remaining Cash, the Holders of Komanoff Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program , on account of their respective Claims. Komanoff Class 4 is Impaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 4 Claim is entitled to vote to accept or reject the Plan.

g. Komanoff Class 5 – Allowed General Unsecured Claims.

Composition. Komanoff Class 5 consists of Allowed General Unsecured Claims against Komanoff which arose prior to the Petition Date. The Debtors estimate that Allowed General Unsecured Claims will total between approximately $4,600,000 and $9,200,000.

Treatment. Except to the extent that a Holder of an Allowed Komanoff Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 5 Claim, each Holder of an Allowed Komanoff Class 5 Claim shall be entitled to receive, in Cash:

(a) a pro-rata distribution of Net Komanoff Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed LBMC Class 5 Claims; plus,

(b) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds, to be shared pari-passu with the Holder of the Komanoff Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of LBMC Class 5 Claims; plus,

(c) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net Komanoff Proceeds, pari-passu with the Holder of the Komanoff Class 6 Claim.

Komanoff Class 5 is Impaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 5 Claim is entitled to vote to accept or reject the Plan.

h. Komanoff Class 6 – Allowed PBGC Unsecured Claim.

Composition. Komanoff Class 6 consists of the Allowed PBGC Unsecured Claim. The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000.

Treatment. In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed Komanoff Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash:

(a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds to be shared pari-passu with Holders of Allowed Komanoff Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus,

(b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net Komanoff Proceeds up to the Subordination Amount; plus

(c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net Komanoff Proceeds pari-passu with Holders of Allowed Komanoff Class 5 Claims.

Komanoff Class 6 is Impaired by the Plan and, therefore, the Holder of an Allowed Komanoff Class 6 Claim is entitled to vote to accept or reject the Plan.

C. Implementation of the Plan and Plan Administrator

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

(2) Appointment of the Plan Administrator. On the Effective Date, the monetization of the Debtors' remaining assets and causes of actions and distributions to creditors shall become the general responsibility of the Plan Administrator. The Confirmation Order shall provide for the appointment of the Plan Administrator. The selection of, and compensation for, the Plan Administrator shall be set forth in the Plan Supplement. The Plan Administrator shall be deemed the Estates' representative in accordance with § 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified under §§ 704 and 1106 of the Bankruptcy Code. The Plan Administrator shall obtain and maintain a bond in an amount equal to one hundred and ten percent (110%) of the aggregate of Komanoff Remaining Cash and LBMC Remaining Cash. As Komanoff Remaining Cash and LBMC Remaining Cash are reduced through distributions and payments by the Plan Administrator and/or additional Cash comes into the Estates, the Plan Administrator shall, at the appropriate time, adjust the amount of the bond to an amount equal to at least 110% of the amount of Cash in the Estates. The Plan Administrator may use Estate Assets to obtain such bond and the cost of such bond shall be apportioned equally between the Debtors' Estates.

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

to the Debtors pursuant to applicable law. The powers and duties of the Plan Administrator shall include, without further order of the Court, except where expressly stated otherwise, the rights:

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

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

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

(iv) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), or further Order of the Court, to pay the fees and expenses for the attorneys, consultants, agents, employees and professional persons engaged by the Plan Administrator and the Post Effective Date Committee and to pay all other expenses in connection with administering the Plan and for winding down the affairs of the Debtors in each case in accordance with the Plan;

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

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

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

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

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

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

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

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

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

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

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

(xvi) to act on behalf of the Debtors in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), then pending or that can be commenced in the Court and in all actions and proceedings pending or commenced elsewhere, and to settle, retain, enforce, or dispute any adversary proceedings or contested matters (including, without limitation, any Causes of Action) and otherwise pursue actions involving Assets of the Debtors that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise specifically waived or relinquished in the Plan, provided, however, that settlements by the Plan Administrator of Causes of Action shall be subject to the approval of the Post Effective Date Committee. The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of a Cause of Action. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the Post Effective Date Committee shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval;

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

(xviii) to implement and/or enforce all agreements entered into prior to the Effective Date, and

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

D. Post Effective Date Committee

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

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

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

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

e. If the Plan Administrator does not consent to the Post Effective Date Committee's prosecution of a Cause of Action of the Debtors, the Post Effective Date Committee may seek authority and standing from the Court to prosecute such Cause of Action, and all rights of the Plan Administrator to object or otherwise oppose such relief are reserved.

E. Distributions

(1) Plan Distributions. The Plan Administrator shall make distributions to Holders of Allowed Claims in accordance with Article IV of the Plan on the Effective Date. From time to time, in consultation with the Post Effective Date Committee, the Plan Administrator shall make Pro Rata distributions to Holders of Allowed LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims in accordance with Article IV of the Plan. Notwithstanding the foregoing, the Plan Administrator may retain such amounts (i) as are reasonably necessary to meet contingent liabilities (including Disputed Claims and unliquidated Medical

Malpractice/Personal Injury Claims) and to maintain the value of the assets of the Estates during liquidation, (ii) to pay reasonable administrative expenses (including the costs and expenses of the Plan Administrator and the Post Effective Date Committee and the fees, costs and expenses of all professionals retained by the Plan Administrator and the Post Effective Date Committee, and any taxes imposed in respect of the Assets), (iii) to satisfy other liabilities to which the Assets are otherwise subject, in accordance with the Plan, and (iv) to establish any necessary reserve. All distributions to the Holders of Allowed Claims shall be made in accordance with the Plan. The Plan Administrator may withhold from amounts distributable to any Person any and all amounts determined in the Plan Administrator's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Holders of Allowed Claims shall, as a condition to receiving distributions, provide such information and take such steps as the Plan Administrator may reasonably require to ensure compliance with withholding and reporting requirements and to enable the Plan Administrator to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law. In the event that a Holder of an Allowed Claim does not comply with the Plan Administrators requests in the preceding sentence within ninety (90) days, no distribution shall be made on account of such Allowed Claim and the Plan Administrator shall reallocate such distribution for the benefit of all other Holders of Allowed Claims in accordance with the Plan.

(2) Cash Distributions. The Plan Administrator shall not be required to make interim or final Cash distributions in an amount less than $100. Any funds so withheld and not distributed on an interim basis shall be distributed in subsequent distributions to the extent the aggregate distribution exceeds $10,000. Should a final distribution to any Holder of an Allowed Claim not equal or exceed $100, that sum shall be distributed to other Holders of Allowed Claims in accordance with the Plan.

(3) Delivery of Plan Distributions. All distributions under the Plan on account of any Allowed Claims shall be made at the address of the Holder of such Allowed Claim as set forth in a filed Proof of Claim or on the register on which the Plan Administrator records the name and address of such Holders or at such other address as such Holder shall have specified for payment purposes in a written notice to the Plan Administrator at least fifteen (15) days prior to such distribution date. In the event that any distribution to any Holder is returned as undeliverable, the Plan Administrator shall use reasonable efforts to determine the current address of such Holder, but no distribution to such Holder shall be made unless and until the Plan Administrator has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, that such undeliverable or unclaimed distributions shall become Unclaimed Property at the expiration of ninety (90) days from the date such distribution was originally made. The Plan Administrator shall reallocate the Unclaimed Property for the benefit of all other Holders of Allowed Claims in accordance with the Plan, provided, however, if the Plan Administrator determines, with the approval of the Post Effective Date Committee, that the administrative costs of distribution effectively interfere with distribution or that all creditors, including administrative claimants, have been paid in full and there is no one that has a right to the funds, such remaining Unclaimed Property shall be donated to the American Bankruptcy Institute Endowment Fund, a not-for-profit, non-religious organization dedicated to, among other things, promoting research and scholarship in the area of insolvency.

(4) Distributions to Holders as of the Confirmation Date. As of the close of business on the Confirmation Date, the claims register shall be closed, and there shall be no further changes in the record Holders of any Claims. Neither the Debtors nor the Plan Administrator, as applicable, shall have any obligation to recognize any transfer of any Claims occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Section 6 of the Plan) with only those Holders of record as of the close of business on the Confirmation Date.

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

F. Separate Plans

Although the Plan is presented as a joint plan of liquidation, the Plan does not provide for the substantive consolidation of the Debtors' Estates, and on the Effective Date, the Debtors' Estates shall not be substantively consolidated for any reason. Except as specifically set forth in the Plan, nothing in the Plan shall constitute or be deemed to constitute an admission that any one or all of the Debtors is subject to or liable for any Claims against any other Debtor. A Claim against multiple Debtors will be treated as a separate Claim against each Debtor's Estate for all purposes including, but not limited to, voting and distribution; provided, however, that no Claim will receive value in excess of 100% of the Allowed amount of such Claim.

G. Executory Contracts and Unexpired Leases

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

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

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

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

H. Provisions for Resolving and Treating Claims

(1) Disputed Claims. Except as otherwise provided herein, the Plan Administrator shall have the right to object to all Claims on any basis, including those Claims that are not listed in the Schedules, that are listed therein as disputed, contingent, and/or unliquidated, that are listed therein at a lesser amount than asserted by the respective Creditor, or that are listed therein for a different category of claim than asserted by the respective Creditor. Subject to further extension by the Court for cause with or without notice, the Plan Administrator may object to the allowance of LBMC Class 5 Claims and Komanoff Class 5 Claims up to one hundred eighty (180) days after the Effective Date, the allowance of Administrative/Priority Claims and Secured Claims up to the later of (i) ninety (90) days after the Effective Date or (ii) the deadline for filing an objection established by order of the Court; provided, however, that an objection to a Claim based on § 502(d) of the Bankruptcy Code may be made at any time in any adversary proceeding against the Holder of any relevant Claim. The filing of a motion to extend the deadline to object to any Claims shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such motion to extend the deadline to object to Claims is denied by the Court, such deadline shall be the later of the current deadline (as previously extended, if applicable) or 30 days after the Court's entry of an order denying the motion to extend such deadline. From and after the Effective Date, the Plan Administrator shall succeed to all of the rights, defenses, offsets, and counterclaims of the Debtors and the Committee in respect of all Claims, and in that capacity shall have the power to prosecute, defend, compromise, settle, and otherwise deal with all such objections, subject to the terms of the Plan. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to estimate pursuant to § 502(c) of the Bankruptcy Code any unliquidated Medical Malpractice/Personal Injury Claims in the District Court.

(2) Settlement of Disputed Claims. Pursuant to Bankruptcy Rule 9019(b), the Plan Administrator may settle any Disputed Claim (or aggregate of Claims if held by a single Creditor), respectively, without notice, a Court hearing, or Court approval.

The Plan Administrator shall give notice to the Post Effective Date Committee of (i) a settlement of any Disputed LBMC Class 5 Claim or Komanoff Class 5 Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Disputed LBMC Class 5 Claim(s) or Komanoff Class 5 Claim(s) being Allowed in an amount in excess of $100,000, (ii) a settlement of any Disputed Administrative/Priority Claims, or (iii) settlement of any Disputed Secured Claims. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the objecting party shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice.

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

I. Conditions to Confirmation and Effectiveness of the Plan

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

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

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

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

(d) approve the releases and injunctions granted and created by the Plan;

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

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

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

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

(b) the Plan Administrator shall have been appointed;

(c) all actions, documents and agreements necessary to implement the provisions of the Plan, and such actions, documents, and agreements shall have been effected or executed and delivered; and

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

J. Modification, Revocation or Withdrawal of the Plan

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

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

K. Injunction, Releases and Exculpation

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

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

b. **Releases by Debtors. Upon the Effective Date, the Debtors conclusively, absolutely, unconditionally, irrevocably and forever release and discharge each of the Debtors' Release Parties of and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may have heretofore accrued, occurring from the beginning of time to and including the Effective Date and/or related in any way to, directly or indirectly, and/or arising out of and/or connected with, any or all of the Debtors and their Estates, the Cases, the Debtors' pre-petition financing arrangements, the Debtors' financial statements, the Debtors' debtor in possession financing facility and/or the Debtors' cessation of operations (including any such claims based on theories of alleged negligence, misrepresentation, nondisclosure or breach of fiduciary duty); *provided, however*, that nothing in Section 13.2(a) of the Plan shall (i) affect the liability of any Person**

due to fraud, willful misconduct, or gross negligence, as determined by a Final Order; (ii) shall operate or be a release by any Professional Persons of any Professional Fee Claims; or (iii) shall release, limit or affect the Debtors' and/or the Plan Administrators obligations under the Plan. For the avoidance of doubt, Section 13.2(a) of the Plan shall not release, limit or affect Causes of Action of the Debtors.

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

d. **Exculpation. None of (i) Garfunkel Wild, P.C., in its capacities as counsel to the Debtors or counsel to the Plan Administrator; (ii) Loeb and Trooper, in its capacity as the Debtors' auditor; (iii) the Debtors' trustees, in-house counsel,**

officers and directors (in their capacities as such); (iv) the Plan Administrator and her representatives (in their capacities as such); (v) the Committee and the Post Effective Date Committee; (vi) the members of the Committee and the members of the Post Effective Date Committee, in their capacities as members of the Committee and as members of the Post Effective Date Committee; (vii) Klestadt Winters Jureller Southard & Stevens, LLP, in its capacities as counsel to the Committee and as counsel to the Post Effective Date Committee; (viii) Deloitte Transactions and Business Analytics LLP, Polsky Advisors LLC, and Getzler Henrich & Associates LLC in their capacity as financial advisor to the Committee; (ix) Getzler Henrich & Associates LLC in its capacity as financial advisor to the Post Effective Date Committee; (x) Laura W. Patt in her capacity as the Patient Care Ombudsman for Komanoff; (xi) Tarter Krinsky & Drogin LLP in its capacity as counsel to the Patient Care Ombudsman; or (xii) Vernon Consulting, Inc. in its capacity as medical operations advisor to the Patient Care Ombudsman, shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Cases, the formulation, preparation, dissemination, implementation, confirmation, or approval of the Plan, the administration of the Plan or the property to be distributed under the Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; provided, however, that (i) nothing in Section 13.3 of the Plan shall affect the liability of any Person that would result from any such act or omission to the extent that act or omission is determined by a Final Order of the Court to have constituted willful misconduct, gross negligence or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct; and in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and shall be fully protected from liability in acting or refraining to act in accordance with such advice; (ii) nothing in Section 13.3 of the Plan shall release, limit or affect Avoidance Actions of the Debtors; and (iii) nothing in Section 13.3 of the Plan shall release, limit or affect the Debtors' and/or the Plan Administrator's obligations under the Plan.

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

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

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

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

V. ACCEPTANCE AND CONFIRMATION OF THE PLAN

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

A. Acceptance of the Plan

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

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

B. Confirmation

(1) Confirmation Hearing

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

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and the Local Rules of the Court, must set forth the name of the objectant, the nature and amount of Claims held or asserted by the objectant against the Debtors' Estates or property, the basis for the objection, the specific grounds in support thereof and, if practicable, a proposed modification to the Plan that would resolve such objection. Such objection must be filed with the Court, with a copy forwarded directly to the Chambers of the Honorable Alan S. Trust, United States Bankruptcy Court, together with proof of service thereof, and served upon (a) counsel to the Debtors, Garfunkel Wild, P.C., 111 Great Neck Road, Great Neck, New York 11021 (Attn: Burton S. Weston, Adam T. Berkowitz, and Phillip Khezri); (b) counsel to the Committee, Klestadt Winters Jureller Southard & Stevens, LLP, 200 West 41st Street, 17th Floor, New York, New York 10036 (Attn: Sean C. Southard, Fred Stevens, and Lauren C. Kiss); and (c) the Office of the United States Trustee, Alfonse D'Amato Federal Courthouse, 560 Federal Plaza, Central Islip, NY 11722 (Attn: Alfred M. Dimino), so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

(2) Statutory Requirements for Confirmation of the Plan

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

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

2. The Plan Proponents must have complied with the applicable provisions of the Bankruptcy Code.

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

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

5. The Plan Proponents have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of each of the Debtors under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and with public policy, and the Plan Proponents have disclosed the identity of any insider that the reorganized Debtors will employ or retain, and the nature of any compensation for such insider.

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

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

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

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

(3) Confirmation Without Acceptance by All Impaired Classes

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

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

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

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

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

The following discussion summarizes certain of the material U.S. federal income tax consequences expected to result from the implementation of the Plan. The following summary does not address the U.S. federal income tax consequences to holders whose claims are entitled to payment in full in Cash under the Plan (e.g., holders of Allowed Administrative Claims, Priority Tax Claims, Professional Fee Claims or other Claims paid in full). This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service ("IRS"). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought. Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to, among others, the Debtors and the holders of Claims.

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

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

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

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

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

B. U.S. Federal Income Tax Consequences to Holders of LBMC Class 5 and Komanoff Class 5 Claims.

(1) Gain or Loss Recognized. Except with respect to a Claim (or portion thereof) for accrued but unpaid interest (discussed below) or certain Medical Malpractice/Personal Injury Claims (discussed below), for U.S. federal income tax purposes, each holder of an Allowed Claim generally should recognize gain or loss as a result of receiving a Distribution pursuant to the Plan equal to the difference between (i) the amount of Cash received by such holder and (ii) the adjusted tax basis of such holder's Allowed Claim. The amount and timing of such gain or loss, as well as the character of any gain or loss as long-term or short-term capital gain or loss or ordinary income or loss will depend on a number of factors that should be addressed with your own tax advisor.

Distributions, if any, received by a holder of a Medical Malpractice/Personal Injury Claim that are attributable to, and compensation for, such holder's personal injuries or sickness, within the meaning of § 104 of the IRC, generally should be nontaxable. You should, nonetheless, address the potential tax implications with your own tax advisor.

(2) Receipt of Interest.

The Plan does not address the allocation of the aggregate consideration to be distributed to holders between principal and interest and the Debtors cannot make any representations as to how the IRS will address the allocation of consideration under the Plan. In general, to the extent that any amount of consideration received by a holder is treated as received in satisfaction of unpaid interest that accrued during such holder's holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income and not otherwise exempt from U.S. federal income tax). Conversely, a holder may be allowed a bad debt deduction to the extent any accrued interest was previously included in its gross income but subsequently not paid in full. However, the IRS may take the position that any such loss must be characterized based on the character of the underlying obligation, such that the loss will be a capital loss if the underlying obligation is a capital asset. Again, you should address all potential tax implications with your own tax advisor.

C. Withholding and Reporting

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

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

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

VII. RISK FACTORS

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

A. Certain Bankruptcy Related Considerations

(1) Risk of Non-Confirmation of the Plan

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

(2) Nonconsensual Confirmation

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

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

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

(4) Claims Objection/Reconciliation Process

The Plan Proponents' estimate of the potential recovery to holders of LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims depends on the outcome of the claims reconciliation and objection process. Thus, there is no guarantee that the actual recovery to holders of LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims will approximate the Plan Proponents' estimates and any such difference could be material.

(5) Risks Related to FEMA Claims

The Debtors continue to have discussions with the representatives of the NYS FEMA Match Program regarding payments under the terms NYS FEMA Match Program. The availability and timing of such payments are contingent on, among other things, the satisfactory completion of an A133 audit, the repayment of overpayments, if any, and possibly satisfying the statutory requirement of paying FEMA Claims before receiving reimbursement from the NYS FEMA Match Program.

(6) Risk Related to Former Employee Claims

In connection with the promulgation and negotiation of the Plan, 1199 raised certain concerns regarding the use of the Petition Date for the purpose of calculating priority entitlement under § 507(a)(4) of the Bankruptcy Code. The Debtors maintain that while the Debtors suffered tremendous losses as a result of Superstorm Sandy, LBMC never ceased operating as a health care provider and, accordingly, the Petition Date is the relevant date to use in calculating priority entitlement under § 507(a)(4) of the Bankruptcy Code. The Debtors and 1199 are currently engaged in discussions and anticipate consensual resolution of the matter. However, there can be no assurance that such result will be achieved. Moreover, in the absence of a consensual resolution, the outcome of any litigation is uncertain and can potentially impact the confirmability of the Plan as it relates to LBMC's estate.

(7) Risk of No Resolution with Respect to the Komanoff Share of the Universal Distribution

As set forth in Section III.M above, MLAP asserts rights to all or a portion of the Komanoff Share. The State is currently holding the distributable portion of the Komanoff Share pending a determination as to the rightful owner of such funds. The Debtors continue to work with MLAP in an attempt to reach a consensual resolution, however, there can be assurance that such a resolution will be achieved. Moreover, in the absence of a consensual resolution, the outcome of any litigation is uncertain.

VIII. RESERVATION OF CAUSES OF ACTION OF THE DEBTORS

In accordance with § 1123(b)(3)(B) of the Bankruptcy Code, the Plan Administrator may act on behalf of the Debtors in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), pending or that can be commenced in the Court and in all actions and proceedings pending or commenced elsewhere, and to settle, retain, enforce, or dispute any adversary proceedings or contested matters (including, without limitation, any Causes of Action) and otherwise pursue actions involving assets of the Debtors that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise specifically waived or relinquished in the Plan, *provided, however,* that settlements by the Plan Administrator of Causes of Action shall be subject to the approval of the Post Effective Date Committee. The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of a Cause of Action. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the Post Effective Date Committee shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval.

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

IX. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION

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

A. Alternative Plans

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

B. Chapter 7 Liquidation

As discussed above, with respect to each Class of Impaired Claims, either each holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. The Plan Proponents believe that significant costs would be incurred by the Debtors as a result of the delay that would be caused by conversion of the Cases to cases under Chapter 7, resulting in a reduced distribution to holders of LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims.

X. RECOMMENDATION AND CONCLUSION

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

[SIGNATURE PAGE FOLLOWS]

Date: June 26, 2017
Long Beach, New York

Long Beach Medical Center, *et al.*
Debtors and Debtors-In-Possession

By:/s/ Douglas Melzer
Douglas Melzer
President

GARFUNKEL WILD, P.C.
Counsel for the Debtors and Debtors in Possession
Burton S. Weston, Esq.
Adam T. Berkowitz, Esq.
Phillip Khezri, Esq.
111 Great Neck Road
Great Neck, NY 11021
Telephone No. (516) 393-2200
Facsimile No. (516) 466-5964

EXHIBIT A

REDLINE OF DISCLOSURE STATEMENT

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

----------x

In re:

LONG BEACH MEDICAL CENTER, et al.,[1]

Debtors.

Chapter 11 Case
Case No. 14-70593(AST)

(Jointly Administered)

----------x

FIRST AMENDED DISCLOSURE STATEMENT ON FIRST AMENDED JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE OF ~~LONG BEACH~~ LONG BEACH MEDICAL CENTER, ET AL. PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

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

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

Counsel for the Debtors
and Debtors in Possession

Dated: ~~May 17~~June 26, 2017
Long Beach, New York

[1] The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: Long Beach Medical Center (5084) and Long Beach Memorial Nursing Home, Inc. d/b/a The Komanoff Center for Geriatric and Rehabilitative Medicine (3422).

I. INTRODUCTION AND SUMMARY

A. Overview

Long Beach Medical Center ("LBMC") and Long Beach Memorial Nursing Home, Inc. d/b/a The Komanoff Center for Geriatric and Rehabilitative Medicine ("Komanoff" and collectively with LBMC, the "Debtors", and each a "Debtor") filed their Chapter 11 Cases (the "Cases") with the United States Bankruptcy Court for the Eastern District of New York (the "Court" or the "Bankruptcy Court") on February 19, 2014 (the "Petition Date"). The Cases were assigned to the Honorable Alan S. Trust, United States Bankruptcy Judge for the Eastern District of New York. The Debtors continue to manage the orderly liquidation of their assets as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. The Debtors, as the proponents of the Plan, (the "Plan Proponents") submit this Disclosure Statement (the "Disclosure Statement") pursuant to § 1125(b) of Title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), in connection with their ***First Amended*** *Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code of Long Beach Medical Center, et al.*, dated ~~May 17~~**June 26**, 2017 (the "Plan"). Although the Plan is presented as a joint plan of liquidation, the Plan does not provide for the substantive consolidation of the Debtors' Estates, and the Debtors' Estates shall not be substantively consolidated for any reason. This Disclosure Statement is intended to provide the Debtors' creditors with adequate information to enable holders of Claims that are impaired under (and entitled to vote on) the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan. A copy of the Plan is annexed hereto as Exhibit A. All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to them in the Plan, unless otherwise noted.

The Plan provides a means by which the proceeds of the liquidation of the Debtors' assets will be distributed under Chapter 11 of the Bankruptcy Code, and sets forth the treatment of all Claims against the Debtors. As described in more detail below, the Debtors have consummated the sale of substantially all of their assets in two (2) separate transactions, one to South Nassau Communities Hospital ("SNCH"), and the other to MLAP Acquisition I, LCC and MLAP Acquisition II, LLC (collectively, "MLAP"), pursuant to orders of the Court authorizing the Debtors to sell (i) the LBMC assets [Docket No. 184], and (ii) the Komanoff assets [Docket No. 185]. The Plan implements the distribution of the respective sales proceeds to holders of Allowed Claims against each Debtor's Estate, and provides for liquidation of any remaining assets.

THE PLAN PROPONENTS STRONGLY URGE ACCEPTANCE OF THE PLAN, AND URGE ALL CREDITORS ENTITLED TO VOTE THEREON TO VOTE TO ACCEPT THE PLAN.

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

B. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. A debtor can also utilize the provisions of Chapter 11 to orderly market and sell its assets in order to derive maximum value and provide equal treatment of similarly situated creditors with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. Confirmation and consummation of a plan of reorganization or liquidation are the principal objectives of a Chapter 11 case. In these Cases, the Plan contemplates a liquidation of each of the Debtors and is therefore referred to as a "plan of liquidation." The primary objective of the Plan is to maximize the value of the recoveries to all holders of Allowed Claims and to distribute any asset of the Debtors' Estates, or proceeds thereof, that ~~is~~**are** or becomes available for distribution generally in accordance with the priorities established by the Bankruptcy Code.

In general, confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any person acquiring property under the plan, and any creditor or equity interest holder of a debtor whether or not they vote to accept the plan. Before soliciting acceptances of a proposed plan, however, § 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a creditor to make an informed judgment in voting to accept or reject the plan. The Plan Proponents are submitting this Disclosure Statement to holders of Claims against the Debtors to satisfy the requirements of § 1125 of the Bankruptcy Code.

C. Summary of Classification and Treatment Under the Plan

In general, and as more fully described herein, the Plan (i) does not consolidate the Debtors' Estates and uses each Debtor's assets to pay the Claims of each respective Debtor, (ii) divides Claims into two (2) unclassified categories and six (6) classes for each of the Debtors' respective Estates, (iii) sets forth the treatment afforded to each category and class, and (iv) provides the means by which the proceeds of the Debtors' assets and amounts payable by third parties will be distributed. The **LBMC Estate currently has approximately $4,888,100 of Cash on hand and the Komanoff Estate currently has approximately $7,161,000 of Cash on hand. The** following table sets forth a summary of the treatment of each class of Claims under the Plan (a more detailed description of the Plan is set forth in Section IV of this Disclosure Statement entitled "*Overview of The Plan*").[2]

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

UNCLASSIFIED CATEGORIES

Class Number	Type of Claim Class	Treatment of Allowed Claims	Projected Recovery
	Administrative Claims	Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Claim (other than a Professional Fee Claim ~~or~~, a FEMA Claim, or a Receiver Claim), will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim: (1) on the Effective Date or as soon as practicable thereafter, or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (2) if the Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order of the Court Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (3) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim, without any further action by the Holders of such Allowed Administrative Claims; (4) at such other time that is agreed to by the Debtors and the Holders of such Allowed Administrative Claim; or (5) at such other time and on such other terms set forth by an order of the Court.	100% Remaining LBMC Administrative Claims estimated to be no more than $1,325,000 inclusive of all accrued but unpaid professional fees and holdbacks Remaining Komanoff Administrative Claims estimated to be no more than $1,225,000 inclusive of all accrued but unpaid professional fees and holdbacks See Section IV.B, under the heading "Unclassified Categories of Claims", paragraph c, for a more fulsome discussion of professional fees in these cases
	Priority Tax Claims	Unless the Holder thereof shall agree to a different and less favorable treatment, each Holder of an Allowed Priority Tax Claim, in full and complete satisfaction of such Allowed Priority Tax Claim, shall receive payment in Cash from either Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, in an amount equal to such Allowed Priority Tax Claim on or as soon as reasonably practicable after the later of (a) the Effective Date, or (b)	100% LBMC Priority Tax Claims, if any, are estimated to be de minimis Komanoff Priority Tax Claims are estimated to be less than

		the date on which such Claim becomes Allowed.	**$250,000**

LBMC CLASSES

Class Number	Type of Claim Class	Treatment of Allowed Claims	Projected Recovery
LBMC 1	**Allowed PBGC Secured Claim**	Except to the extent the Holder of an Allowed LBMC Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 1 Claim, the Holder of such Claim shall receive, in Cash, from the proceeds of PBGC's Collateral up to $7,074,670.63 on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties.	~~89.03%~~**Aggregate Recovery From Both Estates 89.03%** **Anticipated Distribution of approximately $3,026,100 from the LBMC Estate**
LBMC 2	**Allowed Other Secured Claims**	Except to the extent that a Holder of an Allowed LBMC Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 2 Claim, each Holder of an Allowed LBMC Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such LBMC Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such LBMC Class 2 Claim; (c) receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed LBMC Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed LBMC Class 2 Claim is less than the amount of such Allowed LBMC Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed LBMC Class 5 Claim.	100% **All Allowed Other Secured Claims have been satisfied up to the value of the Collateral securing such claims**

LBMC 3	**Allowed Priority Non-Tax Claims**	Except to the extent that a Holder of an Allowed LBMC Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 3 Claim, each Holder of an Allowed LBMC Class 3 Claim shall be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Court.	100% **LBMC anticipates between $500,000 and $600,000 in Allowed Priority Non-Tax Claims, inclusive of the DOL Settlement**
LBMC 4	**Allowed FEMA Claims**	Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from LBMC Remaining Cash, the Holders of LBMC Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program, on account of their respective Claims.	90-100% **Fully funded with 3rd Party funds – FEMA and NYS FEMA Match Program**
LBMC 5	**Allowed General Unsecured Claims**	Except to the extent that a Holder of an Allowed LBMC Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 5 Claim, each Holder of an Allowed LBMC Class 5 Claim shall be entitled to receive, in Cash: (a) a pro-rata distribution of Net LBMC Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net LBMC Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed Komanoff Class 5 Claims; plus, (b) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds, to be shared pari-passu with the Holder of the LBMC Class 6 Claim, up to 50% of the	Less than 1% **The Debtors estimate that Allowed General Unsecured Claims will total in excess of approximately $13,000,000**

		Tranche 2 Limit, plus, an amount of additional Net LBMC Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of Komanoff Class 5 Claims; plus, (c) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net LBMC Proceeds, pari-passu with Holder of the LBMC Class 6 Claim.	
LBMC 6	**Allowed PBGC Unsecured Claim**	In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed LBMC Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash: (a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds to be shared pari-passu with Holders of Allowed LBMC Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus, (b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net LBMC Proceeds	0-1% **The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000, which Claim is entitled to joint and several liability across the LBMC and Komanoff Estates**

		up to the Subordination Amount; plus (c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net LBMC Proceeds pari-passu with Holders of Allowed LBMC Class 5 Claims.	

KOMANOFF CLASSES

Class Number	Type of Claim Class	Treatment of Allowed Claims	Projected Recovery
Komanoff 1	**Allowed PBGC Secured Claim**	Except to the extent the Holder of an Allowed Komanoff Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 1 Claim, the Holder of such Claim shall receive, in Cash, the proceeds of PBGC's Collateral up to $7,074,670.63, less any payments by LBMC made pursuant to Section 4.1 of the Plan on account of the LBMC Class 1 Claim, on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties.	~~89.03%~~**Aggregate Recovery From Both Estates 89.03%** **Anticipated Distribution of approximately $4,048,900 from the Komanoff Estate**
Komanoff 2	**Allowed Other**	Except to the extent that a Holder of an Allowed Komanoff Class 2 Claim agrees to	100%

	Secured Claims	less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 2 Claim, each Holder of an Allowed Komanoff Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Komanoff Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such Komanoff Class 2 Claim; (c) shall receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Komanoff Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed Komanoff Class 2 Claim is less than the amount of such Allowed Komanoff Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed Komanoff Class 5 Claim.	**Asserted Komanoff Class 2 Claims are in excess of $37,164,826. The Debtors anticipate that Allowed Komanoff Class 2 Claims will be less than $1,000,000 after the claims resolution process is complete**
Komanoff 3	**Allowed Priority Non-Tax Claims**	Except to the extent that a Holder of an Allowed Komanoff Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 3 Claim, each Holder of an Allowed Komanoff Class 3 Claim shall be paid in full in Cash on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax, or (iii) such other date as may be ordered by the Court.	100% **Komanoff anticipates between $500,000 and $600,000 in Allowed Priority Non-Tax Claims**
Komanoff 4	**Allowed FEMA Claims**	Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from Komanoff Remaining Cash, the Holders of Komanoff Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program, on account of their	90-100% **Fully funded with 3rd Party funds – FEMA and NYS FEMA Match Program**

		respective Claims.	
Komanoff 5	**Allowed General Unsecured Claims**	Except to the extent that a Holder of an Allowed Komanoff Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 5 Claim, each Holder of an Allowed Komanoff Class 5 Claim shall be entitled to receive, in Cash: (a) a pro-rata distribution of Net Komanoff Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed LBMC Class 5 Claims; plus, (b) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds, to be shared pari-passu with the Holder of the Komanoff Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of LBMC Class 5 Claims; plus, (c) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net Komanoff Proceeds, pari-passu with the Holder of Komanoff Class 6 Claim.	~~15~~**11**-32% **The Debtors estimate that Allowed General Unsecured Claims will total between approximately $4,600,000 and $9,200,000**
Komanoff 6	**PBGC Allowed Unsecured Claim**	In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed Komanoff Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash: (a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit,	1-2% **The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000, which Claim is entitled to**

		a pro-rata distribution of Net Komanoff Proceeds to be shared pari-passu with Holders of Allowed Komanoff Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus, (b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net Komanoff Proceeds up to the Subordination Amount; plus (c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net Komanoff Proceeds pari-passu with Holders of Allowed Komanoff Class 5 Claims.	**joint and several liability across the LBMC and Komanoff Estates**

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

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

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. WHILE THE DEBTORS HAVE MADE EVERY EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES REASONABLY CAN BE EXPECTED TO AFFECT MATERIALLY THE VOTE ON THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT THAT CERTAIN EVENTS,

INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DISCUSSED IN SECTION VII BELOW ENTITLED "RISK FACTORS" DO OCCUR.

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

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

D. Voting and Confirmation Procedures

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

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

(ii) the Disclosure Statement Approval Order, which is annexed hereto as Exhibit B, approving, among other things, (i) this Disclosure Statement as containing adequate information pursuant to § 1125 of the Bankruptcy Code, (ii) scheduling a hearing on confirmation of the Plan; (iii) establishing a deadline and procedures for filing objections to confirmation of the Plan; (iv) establishing a deadline and procedures for temporary allowance of claims for voting purposes; (v) establishing the treatment of certain contingent, unliquidated and disputed claims for notice and voting purposes; (vi) approving form and manner of notice of hearing on confirmation and related issues and approving procedures for distribution of solicitation packages; (vii) approving the form of ballot; and (viii) establishing a voting deadline for receipt of ballots.

(iii) the forms of Ballots, and the related materials delivered together herewith, are being furnished, for purposes of soliciting votes on the Plan, to LBMC Classes 1, 4, 5, and 6, and Komanoff Classes 1, 4, 5, and 6, which are the only impaired classes of Claims that are entitled to vote on the Plan. The Disclosure Statement is also being provided to holders of Claims in LBMC Classes 2 and 3, and Komanoff Classes 2 and 3 (which classes are unimpaired and therefore deemed to accept the Plan), and other entities, solely for informational purposes.

(1) Who May Vote

Pursuant to the provisions of the Bankruptcy Code, impaired classes of claims are entitled to vote to accept or reject a plan of reorganization or liquidation. A class which is not "impaired" is deemed to have accepted a plan and is not entitled to vote. A class is "impaired" under the Bankruptcy Code unless the legal, equitable, and contractual rights of the holders of claims in such class are not modified or altered. As set forth above, LBMC Class 2 (Allowed Other Secured Claims), LBMC Class 3 (Allowed Priority Non-Tax Claims), Komanoff Class 2 (Allowed Other Secured Claims), and Komanoff Class 3 (Allowed Priority Non-Tax Claims) (the "Unimpaired Classes" and each an "Unimpaired Class") are unimpaired and deemed to accept the Plan. LBMC Class 1 (Allowed PBGC Secured Claim), LBMC Class 4 (Allowed FEMA Claims), LBMC Class 5 (Allowed General Unsecured Claims), LBMC Class 6 (Allowed PBGC Unsecured Claim), Komanoff Class 1 (Allowed PBGC Secured Claim), Komanoff Class 4 (Allowed FEMA Claims), Komanoff Class 5 (Allowed General Unsecured Claims), and Komanoff Class 6 (Allowed PBGC Unsecured Claim) (the "Impaired Classes" and each an "Impaired Class") are impaired, or potentially impaired, and thus entitled to vote on the Plan.

(2) Voting of Claims

Each holder of an Allowed Claim in an Impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in the Disclosure Statement Approval Order.

(3) Voting Procedures

All votes to accept or reject the Plan must be cast by using the form of Ballot ~~annexed hereto~~**approved by the Court**. Except to the extent the Court orders otherwise, votes submitted by any other means shall not be counted. The Court has fixed ~~_____~~**June 26**, 2017 at 4:00 p.m., Prevailing Eastern Time, (the "Voting Record Date") as the time and date for the determination of holders of record of Claims who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan on the appropriate Ballot and return such Ballot in the enclosed envelope to the Debtors' balloting agent, Garden City Group, Inc. (the "Balloting Agent"), as follows:

IF BY FIRST CLASS MAIL:

Long Beach Medical Center
c/o GCG, LLC
P.O. Box 10040
Dublin, Ohio 43017-6640

IF BY OVERNIGHT MAIL OR HAND DELIVERY:

Long Beach Medical Center, Ballot Processing
c/o GCG, LLC
5151 Blazer Parkway, Suite A
Dublin, Ohio 43017

IF BY ELECTRONIC MAIL:

LOBinfo@gardencitygroup.com

IF BY FASCIMILIE:

(844) 528-4562

BALLOTS MUST BE RECEIVED ON OR BEFORE 4:00 P.M. (PREVAILING EASTERN TIME) ON [~~_____~~AUGUST 7, 2017~~]~~ (THE "VOTING DEADLINE"). THE FOLLOWING BALLOTS SHALL NOT BE COUNTED OR CONSIDERED FOR ANY PURPOSE IN DETERMINING WHETHER THE PLAN HAS BEEN ACCEPTED OR REJECTED: (A) ANY BALLOT THAT IS PROPERLY COMPLETED, EXECUTED AND TIMELY RETURNED TO THE BALLOTING AGENT, BUT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN, (B) ANY BALLOT THAT IS PROPERLY COMPLETED, EXECUTED, AND TIMELY RETURNED TO THE BALLOTING AGENT, BUT INDICATES PARTIAL REJECTION AND/OR PARTIAL ACCEPTANCE OF THE PLAN WITH RESPECT TO MULTIPLE CLAIMS IN THE SAME CLASS, (C) ANY BALLOT ACTUALLY RECEIVED BY THE BALLOTING AGENT AFTER THE VOTING DEADLINE, EVEN IF POSTMARKED BEFORE THE VOTING DEADLINE, UNLESS THE PLAN PROPONENTS SHALL HAVE GRANTED, IN WRITING, AN EXTENSION OF THE VOTING DEADLINE WITH RESPECT TO SUCH BALLOT, (D) ANY BALLOT THAT IS ILLEGIBLE OR CONTAINS INSUFFICIENT INFORMATION TO PERMIT THE IDENTIFICATION OF THE CLAIMANT, (E) ANY BALLOT CAST BY A PERSON OR ENTITY THAT DOES NOT HOLD A CLAIM IN A CLASS THAT IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, (F) ANY BALLOT CAST FOR A CLAIM SCHEDULED AS UNLIQUIDATED, CONTINGENT, OR DISPUTED FOR WHICH NO PROOF OF CLAIM WAS TIMELY FILED, (G) ANY UNSIGNED OR NON-ORIGINALLY SIGNED BALLOT, (H) ANY BALLOT SENT DIRECTLY TO ANY OF THE DEBTORS, THEIR AGENTS (OTHER THAN THE DEBTORS' BALLOTING AGENT) OR THE DEBTORS' FINANCIAL OR LEGAL ADVISORS, OR TO ANY PARTY OTHER THAN THE BALLOTING AGENT, (I) ANY BALLOT CAST FOR A CLAIM THAT HAS BEEN DISALLOWED (FOR VOTING PURPOSES OR OTHERWISE), (J) ANY BALLOT WHICH IS SUPERSEDED BY A LATER FILED BALLOT, AND (K) SIMULTANEOUSLY CAST INCONSISTENT BALLOTS~~, AND (L) ANY BALLOT~~

~~TRANSMITTED TO THE BALLOTING AGENT BY FACSIMILE OR OTHER ELECTRONIC MEANS~~.

If you have any questions regarding the procedures for voting on the Plan, please contact the Debtors' Balloting Agent at the above address, or the following telephone number: (877) 900-4498.

(4) Nonconsensual Confirmation. If any Impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in §§ 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any Impaired Class is deemed to have rejected the Plan, the Plan Proponents reserve the right (a) to undertake to have the Court confirm the Plan under § 1129(b) of the Bankruptcy Code and/or (b) subject to § 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, to modify the Plan to the extent necessary to obtain entry of the Confirmation Order, provided such modifications are consistent with Section 11.1 of the Plan. At the Confirmation Hearing, the Plan Proponents will seek a ruling that if no holder of a Claim eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the holders of such Claims in such Class for the purposes of § 1129(b).

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

A. Organizational Structure and History of the Debtors

Long Beach Medical Center

Since 1922, LBMC provided medical services to the residents of Long Beach and its surrounding communities. Prior to Superstorm Sandy, as the primary health care provider for the island of Long Beach and the surrounding communities, LBMC operated as a comprehensive health care organization which included a 162-bed acute care hospital; an affiliated 200-bed skilled nursing facility specializing in geriatrics and rehabilitation medicine; a certified home health care agency; and numerous outpatient clinical programs. Together, these services allowed LBMC to offer a continuum of care – with the ability to meet all of a patient's health care needs seamlessly, including acute hospitalization, outpatient services, sub-acute care, rehabilitative care, or services from home.

Long Beach Memorial Nursing Home, Inc. d/b/a/ The Komanoff Center for Geriatric and Rehabilitative Medicine

Established in 1974, Komanoff was a hospital-based skilled nursing facility affiliated with LBMC. It provided services for residents requiring long term nursing home care and short term post-acute (sub-acute) care.

B. Capital Structure and Significant Pre-Petition Secured Debt

(1) **New York State Housing Financing Agency**. During 1973, Komanoff entered into an agreement with the State of New York and the New York State Housing Finance Agency in order to finance the construction of a new facility. A total of $6,155,000 was borrowed via the

issuance of $5,105,000 of 1974 Series A Bonds and $1,050,000 of 1977 Series A Bonds. Principal and interest payments were due monthly. The average interest rate was 5.9% per annum on the 1974 Series and 7.0% on the 1977 Series. The bonds were scheduled to be redeemed forty (40) years from the date of issuance.

During 1998, Komanoff entered into an agreement with the New York State Housing Finance Agency to refinance its 1974 Series A and 1977 Series A Bonds. The mortgage agreement, with a remaining balance of approximately $3,762,527, was refinanced with an average interest rate of 4.9% per annum. The 1998 Series A Project Revenue Bonds were scheduled to be redeemed 16 years from the date of refinancing. The mortgage loan was collateralized by substantially all assets and future revenues of Komanoff.

Under the terms of the mortgage and the subsequent refinancing, Komanoff was required to make monthly deposits equal to 1/12 of its annual principal amortization and interest expense into the mortgage repayment escrow fund, which was restricted for the payment of bond interest and principal. Monthly deposits were also required into an operating escrow fund to establish a reserve for equipment replacement and structural repairs and a reserve for contingencies. Komanoff was allowed to draw monies out of these reserves with the approval of the New York State Department of Health ("DOH").

As of the Petition Date, the balance due on the 1998 Series A Project Revenue Bonds was $172,527, and the balance of the mortgage repayment and operating escrow sum was $41,118 and $345,307, respectively. Postpetition, the Debtors finalized an arrangement with the New York State Housing Financing Agency to satisfy the remaining balance out of the mortgage repayment and operating escrow account, which resulted in a net refund to the Komanoff Estate.

(2) **Dormitory Authority of the State of New York ("DASNY")**. Pursuant to a reimbursement agreement dated as of November 1, 2007, DASNY made a non-interest-bearing loan to LBMC in the initial principal amount of $2,000,000 (the "DASNY Loan") for the purpose of funding the restructuring of its operations to improve operating performance, consistent with the recommendations of the Commission of Health Care Facilities in the 21st Century. As security for the DASNY Loan, DASNY was given a mortgage in certain of LBMC's real property constituting the parking lots adjacent to the facilities. Commencing January 2010, LBMC was to begin repaying the balance in sixty (60) monthly installments of $33,333. In 2011, LBMC only made nine (9) payments. In April 2012, the repayment terms were revised and LBMC began to make monthly payments of $10,000, with interest being charged at 1%, scheduled through December 31, 2013. Those payments were schedule to increase to $31,500 in January 2014, and were to remain at that amount until the balance was repaid. The last payment made on account of the DASNY Loan was in September 2012, approximately one (1) month prior to Superstorm Sandy. As of the Petition Date, the outstanding balance of the DASNY Loan was approximately $1.252 million. As discussed more fully in Section III.H below, the DASNY Loan was satisfied pursuant to a Court approved settlement during the administration of these Cases.

(3) **First Central Savings Bank ("First Central")**. LBMC acquired several properties which it used as off-site storage, employee housing, and physician office space over a number of years as part of a strategic expansion plan. The properties include: 757 Lincoln Blvd., 758 Lincoln Blvd., 759 Lincoln Blvd., 760 Lincoln Blvd., 762 Lincoln Blvd., 711 Lincoln Blvd.,

415 East State St., 425 East State St., 479 East State St., 765 Franklin Blvd., and 761 Franklin Blvd. (the "Offsite Premises"). The Offsite Premises were initially acquired pursuant to various financing arrangements.

In order to refinance and consolidate those various loan obligations, LBMC borrowed from First Central $1.8 million, evidenced by a permanent loan note (the "Mortgage Loan") and obtained a line of credit in the amount of $1 million (the "First Central Line"), evidenced by a commercial line of credit note and security agreement, each dated as of March 7, 2008. In connection therewith, LBMC executed and delivered to First Central a blanket mortgage on the Offsite Premises (the "First Central Mortgage"). Subsequently, LBMC requested a complete draw of the First Central Line. As a condition to authorizing the full draw, First Central required LBMC to consolidate the Mortgage Loan and the First Central Line into a consolidated note (the "First Central Consolidated Note"). On or about August 1, 2008, LBMC drew down on the First Central Line. The principal balance upon consolidation, after taking into account payments previously made, was $2,704,606.26. As of the Petition Date, obligations under the First Central Consolidated Note were approximately $2,642,000.00 and First Central held approximately $380,000 in insurance proceeds (the "First Central Insurance Proceeds") for damages arising from Superstorm Sandy and fire losses to a number of the Offsite Premises. As discussed more fully in Section III.H below, the First Central Consolidated Note was satisfied pursuant to a Court Order and an approved settlement during the administration of these Cases.

(4) **Pension Plan/Pension Benefit Guaranty Corporation ("PBGC")**. LBMC sponsored two (2) noncontributory defined benefit pension plans (the "Pension Plans") covering substantially all employees. The Pension Plans provided benefits based primarily on years of service and career average pay.

LBMC applied to PBGC for distress terminations of the Pension Plans effective July 31, 2009. By letters dated September 14, 2010 and July 29, 2011, PBGC approved the distress application for LBMC and Komanoff, respectively. As a result of the termination of the Pension Plans, through the executed trusteeship agreement with PBGC, benefit accruals under the Pension Plans ceased as of July 31, 2009, PBGC became the Pension Plans' trustee, and PBGC became responsible for paying the Pension Plans' benefits, up to insured limits. The termination of the Pension Plans and previously unpaid pension contributions and premiums resulted in liabilities for the Debtors arising under the provisions of the Employee Retirement Income Security Act of 1974, and the Internal Revenue Code, for pension termination underfunding, past contributions due to the Pension Plans, unpaid special termination and pension insurance premiums due to PBGC with respect to the Pension Plans, and unpaid excise taxes, plus interest and penalties.

As of the Petition Date, PBGC asserted that LBMC and Komanoff collectively owed in excess of $54 million for termination underfunding, unpaid premiums, and excise taxes. LBMC and Komanoff are jointly and severally liable for the Pension Plan liabilities. Of the aforementioned liabilities, PBGC had federal liens against all of LBMC's real and personal property in the aggregate amount of approximately $9.5 million, of which approximately $7.6 million related to LBMC and $1.9 million related to Komanoff. As discussed more fully in Section III.H below, PBGC's remaining claims are subject to compromise in accordance with a Court approved settlement.

(5) **FEMA Claims**. In the wake of Superstorm Sandy, the President of the United States issued a major disaster declaration under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121 et seq. Thereafter, the Federal Emergency Management Agency ("FEMA") issued a notice of the Presidential declaration of a major disaster for the State of New York (FEMA-4085-DR), and began the task of administering the newly created disaster relief program.

In turn, the Debtors undertook substantial efforts to restore the hospital's physical plant and other facilities. The Debtors contracted with various entities (the "FEMA Vendors") to make emergency repairs to their facilities including, without limitation, to provide for emergency protective measures, demolition of at risk structures, as well as general cleanup and flood-related repairs. Without any significant operating revenue, and in anticipation of the receipt of funds from FEMA ("FEMA Funds"), the Debtors quickly amassed sizeable payables associated with eligible emergency debris removal and emergency repair work. In order to ensure that FEMA Vendors who performed emergency work at the facilities would be properly compensated, and to facilitate the receipt of future FEMA Funds, the Debtors retained DMS Disaster Consultants ("DMS") to assist with the submission of grant requests. In consultation with DMS, the Debtors submitted requests for public assistance to FEMA under FEMA's Public Assistance Program for Grant Assistance (the "PA Program") with respect to certain emergency work performed at the Debtors' premises, and to repair, restore, reconstruct, or replace their critical facilities damaged by Superstorm Sandy (the "Grant Requests").

While the PA Program is structured as a reimbursement program, after taking into account the Debtors' financial condition, FEMA agreed to release funds to the Debtors based on invoices and documentation that the approved eligible work was performed.

Once emergency work was completed and invoiced to the Debtors, DMS helped prepare each project worksheet ("PW") which outlined the work performed and the services for which reimbursement was sought. If and when approved by FEMA, funds are then obligated for reimbursement based on PWs. FEMA reimburses 90% of the approved costs associated with any given project, ~~with~~**as federal disaster recovery programs require that eligible recipients cover** the remaining 10% ~~portion paid through the New York Governor's Office of Storm~~**. Often times the remaining 10% is** ~~Re~~cover~~y~~**ed** ~~FEMA Public Assistance Match Program (the "NYS FEMA Match Program")~~**by state and local governments**. By agreement between FEMA and the New York State Office of Emergency Management ("OEM"), FEMA authorized OEM to remit funds to the Debtors. Upon receipt, these funds become restricted assets only available to specific payees, and are subsequently paid to the FEMA Vendors for which the funds were obligated. **FEMA has paid the Debtors the 90% payments on account of substantially all of the FEMA Vendors' PWs. The Debtors are working with FEMA to address the outstanding payments.**

~~To date, the Debtors have distributed in excess of $25 million received from FEMA to FEMA Vendors. There currently remains approximately between $3 million and $4 million in outstanding Claims by FEMA Vendors. The vast majority, if not all of these outstanding amounts are on account of funds due from the NYS FEMA Match Program. Moreover, as an inducement for the Debtors to initially retain the FEMA Vendors, a number of FEMA Vendors contractually agreed to accept as payment in full only FEMA Funds, and only if, as, and when actually received~~

~~by the Debtors. The Debtors continue to work with FEMA, OEM, and DMS to collect additional FEMA Funds, reconcile FEMA Vendor Claims, and pay such Claims.~~

In January of 2013, New York State became the recipient of Community Development Block Grant Disaster Recovery ("CDBG-DR"). Of the $4,416,882,000 in CDBG-DR funds allocated by HUD to New York State, approximately $450 million of such amount was specifically allocated to FEMA Public Assistance Match Program (the "NYS FEMA Match Program"), which funds the 10% shortfall that FEMA does not cover. The newly established Governor's Office of Storm Recovery ("GOSR") was tasked with managing the NYS FEMA Match Program and overseeing compliance with HUD regulations. The New York State Department of Homeland Security and Emergency Services ("DOH-ES") was tasked with administering the NYS FEMA Match Program, including making distributions. In addition, the New York State Office of the Budget ("Office of Budget") and the New York State Office of the Controller (the "Controller's Office") must approve requested payments before they can be made.

The Debtors have opted into the NYS FEMA Match Program and have submitted PWs to DOH-ES for review. While the process is near completion with DOH-ES, before payment can be obtained from the NYS FEMA Match Program, those PWs, along with any other required information, must be submitted to GOSR, the Office of Budget, as well as the Controller's Office. The Debtors believe they have submitted all necessary documentation required for approval of the PWs, but are aware that further documentation may be required by one or more of the agencies involved in the approval process.

Despite regular contact with various State agencies, the Debtors have been unable to establish a timeframe for receipt of payment from the NYS FEMA Match Program.

(6) **South Nassau Communities Hospital Prepetition Credit Agreement**. As LBMC's liquidity continued to deteriorate in the weeks before the Petition Date, there became an increased need for immediate additional funding. As the Debtors were unable to secure such financing from traditional sources, they turned to SNCH, the anticipated stalking horse bidder for the Debtors' assets, to provide the necessary liquidity and working capital to maintain operations pending completion of a contemplated sale to SNCH, as well as to fund expenses in connection with the preparation and filing of these Cases. After extensive arm's length negotiations, SNCH agreed to provide such funding and, pursuant to that certain Loan and Security Agreement, dated as of December 30, 2013 (as amended, modified, or otherwise supplemented from time to time, the "SNCH Pre-Petition Credit Agreement"), between SNCH and the Debtors, SNCH made available to the Debtors up to $1.5 million in financing secured by liens in substantially all of the Debtors' assets subject to previously existing liens.

Under the SNCH Pre-Petition Credit Agreement, SNCH was owed, as of the Petition Date, approximately $1,500,000 in principal obligations, plus interest, fees, costs, and expenses, and all other "Obligations" under and as defined in the SNCH Pre-Petition Credit Agreement (the "SNCH Pre-Petition Obligations"). As discussed more fully in Section III.G below, the SNCH

Pre-Petition Obligations were satisfied from a portion of the sale proceeds of the Komanoff Assets.

C. Events Leading to Chapter 11 Filings

As is true with many community hospitals, LBMC was beset by the financial pressures caused by cuts in Medicare and Medicaid funding, declining indigent pool payments, and changing demographics in the communities served by the Debtors. For a number of years the Debtors experienced a progressive decline in patient volume and discharges and reduction in acuity of the case mix. Operating revenues steadily decreased, leading to significant losses in the years preceding these filings. Cash book balances were frequently negative, and past due vendor payables increased.

Given LBMC's historical losses, DOH urged the Debtors to partner or otherwise affiliate with a more financially viable healthcare system. In the years preceding the filings, the Debtors had, at various times, engaged in active discussions with several regional healthcare providers, including Mount Sinai Hospital, Winthrop University Hospital, SNCH, and North Shore University Hospital. None of those bore fruit as an affiliation was not consistent with the geographical footprint or strategic plan of any of those systems.

On a parallel track, the Debtors undertook a number of initiatives in an attempt to address the Debtors' operating and liquidity concerns. While some of these initiatives were beginning to show positive results, the Debtors efforts were brought to an abrupt halt in October of 2012 when Superstorm Sandy decimated LBMC and Komanoff. The storm further exacerbated an already precarious financial situation and left the Debtors in a situation from which they were not able to recover.

In the months following the storm, the Debtors undertook tremendous efforts to reopen both LBMC and Komanoff. On January 28, 2013, those efforts led to the reopening of Komanoff, allowing 120 nursing home residents to return home and reinstituting more than 200 employees to their jobs. While rebuilding and repair efforts persisted, the acute care portion of the hospital remained closed with extensive damage to its boilers, mechanical and electrical distribution systems, fire alarm systems, communications, food services, and laundry services. LBMC continued various administrative functions, as well as operations as a family care clinic at one of its adjacent properties and a mental health clinic in a rented facility in Baldwin, NY. Other clinics including the Methadone Maintenance Clinic and the Family Alcohol Counseling and Treatment Services remained closed.

In March, 2013, while rebuilding efforts continued, the Debtors issued a request for proposal ("RFP") to five (5) hospital providers that might have interest in entering the South Shore Long Island market as part of their strategic plans.

The only serious interest came from SNCH, which already serviced the area neighboring that of the Long Beach facility. SNCH brought financial strength to the equation and was best positioned to assure the continuity of healthcare in the Long Beach area. In August, 2013, the parties entered into a memorandum of understanding (the "MOU") to explore proposed transactions which contemplated the sale of substantially all of the Debtors' real property and

operating assets to SNCH, changes to the healthcare delivery model, the restructuring or satisfaction and discharge of LBMC and Komanoff indebtedness, and the provision of financing to fund continued operations and maintenance of the assets until any transaction could be completed. The MOU was submitted to DOH for its review and ultimately received strong support.

Thereafter, the parties entered into negotiations for SNCH to acquire substantially all of the real property and operating assets of both LBMC and Komanoff, resulting in the execution of an asset purchase agreement for a transaction pursuant to § 363 of the Bankruptcy Code (the "Prepetition APA"). In light of the continuing losses and repercussions from Superstorm Sandy, the Debtors filed these Cases to effectuate the sale of their assets, while maximizing returns to all stakeholders.

III. SIGNIFICANT EVENTS DURING THE DEBTORS' CHAPTER 11 CASES

A. First Day Orders

Shortly after the Petition Date, the Court entered various orders authorizing the Debtors to pay various prepetition claims and granting other relief necessary to help the Debtors stabilize their day-to-day operations and in the case of Komanoff, ensure patient safety. These orders were designed to minimize the disruption of the Debtors' business affairs, ease the strain on the Debtors' relationship with their employees, vendors, patients, and other parties, and facilitate the orderly administration of the Cases. These included:

a. an order authorizing the Debtors to obtain postpetition secured superpriority financing and utilize cash collateral [Docket Nos. 12, 45, and 76];

b. an order authorizing the Debtors' payment of pre-petition employee wages, salaries, and other compensation, and maintenance of certain benefit programs [Docket Nos. 7, 34, and 78];

c. an order authorizing the Debtors to continue their insurance policies, and all agreements related thereto, and pay all obligations in respect thereto [Docket Nos. 9 and 77];

d. an order granting an extension of time for the Debtors to file (a) statements of financial affairs and (b) schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases [Docket Nos. 3 and 33];

e. an order enjoining utility providers from terminating service to the Debtors and establishing procedures for determining requests for additional adequate assurance [Docket Nos. 8 and 82];

f. an order authorizing the Debtors to maintain their cash management system and existing bank accounts, and to use existing business forms [Docket Nos. 6, 39 and 84];

g. an order granting procedural consolidation of the Debtors' cases and authorizing joint administration thereof [Docket Nos. 2 and 30]; and

h. an order authorizing the Debtors to prepare a list of creditors in lieu of a mailing matrix and authorizing the Debtors to file a consolidated list of the Debtors' 30 largest unsecured creditors [Docket Nos. 4 and 32].

B. Retention of Debtors' Professionals

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

a. Garfunkel Wild, P.C. ("Garfunkel"), retained as bankruptcy and reorganization counsel [Docket No. 86];

b. GCG, Inc., retained as claims, noticing, and balloting agent [Docket No. 43]; and

c. Loeb & Troper ("L&T"), retained as auditor for Komanoff [Docket No. 225].

The Debtors also employed certain professionals in the ordinary course of their administration of the estates pursuant to the *Order Granting Application to Employ Professionals Utilized in the Ordinary Course of Business* entered by the Court on April 30, 2014 [Docket No. 153].

C. Appointment of Creditors' Committee and Professionals

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors to represent the interests of the creditors in these Cases. On February 28, 2014, the Office of the United States Trustee (the "U.S. Trustee") appointed the Official Committee of Unsecured Creditors (the "Committee"). The persons or entities appointed to the Committee were as follows:

1199 SEIU United Healthcare Workers East ("1199")

ChemRx

Atlantic Dialysis Management Services, LLC

The Committee retained Klestadt Winters Jureller Southard Stevens, LLP f/k/a Klestadt & Winters, LLP as its bankruptcy counsel [Docket No. 92] and originally retained Deloitte Transactions and Business Analytics LLP as its financial advisors [Docket No. 129]. Thereafter,

the Committee retained Polsky Advisors LLC as its financial advisors from July 28, 2014 to September 30, 2014 [Docket No. 290] and Getzler Henrich & Associates LLC in the same capacity from October 1, 2014 to the present [Docket No. 294]. The Debtors have and continue to consult with the Committee on every important aspect of these Cases.

D. The Patient Care Ombudsman

On March 13, 2014, the Court entered an order directing the United States Trustee to appoint a patient care ombudsman for Komanoff [Case No. 14-70597, Docket No. 11] but did not require one for LBMC [Docket No. 83]. On March 17, 2014, the U.S. Trustee appointed Laura W. Patt as patient care ombudsman for Komanoff (the "Ombudsman") [Case No. 14-70597, Docket No. 13]. The Ombudsman was required pursuant to § 333(a)(1) of the Bankruptcy Code to monitor Komanoff's quality of patient care and to represent the interests of Komanoff's patients. The Ombudsman retained Tarter Krinsky & Drogin LLP as her counsel [Case No. 14-70597, Docket No. 22], and Vernon Consulting, Inc. as her medical operations advisor [Case No. 14-70597, Docket No. 28].

The Debtors cooperated with the Ombudsman in her efforts to monitor and evaluate patient care and safety at the Komanoff facility. Following the appointment of MLAP, as receiver of Komanoff pending the closing of the sale of Komanoff's assets to MLAP, the Debtors and the Ombudsman entered into a stipulation discharging the Ombudsman from her duties. The Court approved the stipulation and discharged the Ombudsman from her duties on March 2, 2015 [Docket No. 365].

As LBMC ceased patient related operations prior to the Petition Date, the Court determined that no patient care ombudsman was necessary for LBMC [Docket No. 83].

E. The FEMA Motion and Remaining FEMA Claims

On March 21, 2014, the Debtors filed the *Debtors' Motion For Entry Of An Order Authorizing Debtors To Continue To Segregate And Use Funds Received From The Federal Emergency Management Agency And To Use Such Funds To Pay Designated Creditors Irrespective Of Whether Their Claims Arose Pre Or Postpetition* (the "FEMA Motion") [Docket No. 105]. On April 25, 2014, the Court entered an order granting the FEMA Motion thereby allowing the Debtors to segregate all FEMA Funds, remit payment of FEMA Funds to eligible recipients for which the Debtors had not yet remitted payment for goods and services, and to retain all FEMA funds the Debtors received on account of payments the Debtors previously remitted to FEMA Vendors [Docket No. 150].

Thereafter, the Debtors continued to prepare and submit PWs, and, to the extent funds were received, the Debtors remitted payments to those FEMA Vendors who were entitled to such funds. Accordingly, FEMA Claims against the Debtors' Estates have been reduced to between approximately $3 million and $4 million in the aggregate, all or substantially all of which is expected to be reimbursed by either FEMA or the NYS FEMA Match Program.[3] Additionally,

[3] The Debtors are only aware of one FEMA Vendor asserting an administrative claim. The **Debtors assert that the** terms of that FEMA Vendor's contract expressly provide~~s~~ that no amounts are due and payable unless and until FEMA Funds are first received by the Debtors.

the Debtors currently hold approximately $2.25 million in FEMA Funds which, subject to ~~the completion of an A133 audit~~**complying with the necessary closeout requirements of FEMA and the NYS FEMA Match Program**, will either be returned to FEMA as overpayments, used to pay open claims by FEMA Vendors, or remitted to the Estate of the appropriate Debtor as reimbursement for "forced labor" reimbursable by FEMA.

The Debtors continue to have discussions with the representatives of OEM ~~and the NYS FEMA Match Program~~ **, DOH-ES, and GOSR, among others** regarding the status of payments under the terms NYS FEMA Match Program. The availability and timing of such payments are contingent on, **approval by DOH-ES, GOSR, the New York State Office of the Budget, and the New York State Controller's Office as well as,** among other things, the satisfactory completion of an A133 audit, the repayment of overpayments, if any, and possibly satisfying the statutory requirement of paying FEMA Claims before receiving reimbursement from the NYS FEMA Match Program.

F. Use of Cash Collateral and Debtor in Possession Financing

SNCH DIP Loan and the Use of Cash Collateral

On the Petition Date, the Debtors filed a motion seeking entry of an interim and final Order granting approval for postpetition financing from SNCH and use of cash collateral. The financing was necessary to provide critical funding for the administration of the Cases as well as the wind down of the Debtors' ongoing operations. Under the proposed financing arrangement, it was contemplated that SNCH would advance up to $4.5 million to the Debtors and the Debtors would be permitted to use the cash collateral of the Komanoff Estate. The financing terms consisted of $4.5 million on a multiple draw term loan (the "DIP Facility"), provided by SNCH to the Debtors, pursuant to that certain Debtor in Possession Loan and Security Agreement, (the "DIP Loan Agreement") dated as of February 21, 2014.

The DIP Loan Agreement was the product of arm's length negotiations between the Debtors, SNCH, and each party's respective counsel. On February 26, 2014, the Court entered an emergency Order, which among other things, (i) authorized the Debtors to enter into the DIP Loan Agreement and incur obligations under the DIP Facility, which obligations were afforded administrative superpriority and secured by senior liens on substantially all assets pursuant to §§ 364(c) and (d) of the Bankruptcy Code, (ii) authorized the Debtors to utilize certain cash collateral pursuant to § 363 of the Bankruptcy Code and (iii) granted adequate protection (the "Emergency DIP Financing Order") [Docket No. 45]. The Emergency DIP Financing Order authorized the Debtors to (i) borrow $900,000 from SNCH and utilize certain cash collateral and (iii) grant SNCH a superpriority administrative expense claim and first priority and senior lien with respect to all borrowings under the DIP Facility, all on an interim basis, pending a final hearing on the DIP Facility.

On March 12, 2014, the Court entered an order approving the DIP Loan Agreement and the DIP Facility, as well as the use of Komanoff's cash collateral, on a final basis (the "Final DIP Financing Order") [Docket No. 76]. Pursuant to the Final DIP Financing Order, the Debtors were authorized to borrow up to $4.5 million from SNCH (less any portion of the $900,000 previously accessed under the Emergency DIP Financing Order). The Final DIP Financing Order granted SNCH similar protections as granted in the Emergency DIP Financing Order. The DIP Facility provided the Debtors with the funding necessary to ensure that the Debtors were able to fund their postpetition operating requirements and preserve and maintain their properties and the infrastructure of their businesses pending the sale of their assets.

As previously mentioned, pursuant to a Court approved settlement between the Debtors, the Committee, and SNCH in connection with the sale of the LBMC Assets, the $4.5 million DIP Facility, including all interest and expenses, was credited against the LBMC purchase price at closing, thereby satisfying all obligations owed to SNCH on account of the DIP Facility.

MLAP DIP Loan

In connection with the sale of the Komanoff Assets, discussed more fully below, the Debtors needed additional working capital to fund operations and the costs of administration of these Cases. On November 24, 2014, the Debtors filed a motion (the "MLAP DIP Motion") seeking Court approval to borrow up to $1.5 million on a term loan basis from MLAP (the "MLAP DIP Facility") [Docket No. 312]. On December 5, 2014, SNCH filed an objection to the MLAP DIP Motion which argued that the proposed MLAP DIP Facility would (i) significantly jeopardize SNCH's collateral position with respect to its prepetition debt obligation, (ii) violate adequate protections previously granted to SNCH, and (iii) be used to fund non-operating expenses [Docket No. 324].

On December 18, 2014, the Court entered an Order overruling SNCH's objection, allowing the Debtors to utilize the full amount of MLAP's deposit to satisfy administrative expenses of the Debtors' Estates, and authorizing the Debtors to enter into the MLAP DIP Facility (the "MLAP DIP Order"), but only allowing the Debtors to borrow up to $800,000 of the total $1,500,000 facility, subject to further Court Order [Docket No. 336]. Additionally, the MLAP DIP Order granted MLAP a first-priority senior perfected lien on, and security interest in, Komanoff's assets excluding Avoidance Actions and the proceeds thereof, and a super-priority claim pursuant to § 364(c)(1) of the Bankruptcy Code, over any and all administrative expenses. The Debtors never sought Court approval to access the remaining $700,000 under the MLAP DIP Facility.

Upon the closing of the sale of Komanoff's Assets to MLAP, the Debtors credited $800,000 of the purchase price to fully satisfy all of their obligations under the MLAP DIP Facility.

G. Sale of Debtors' Assets

Initial Proposal for Sale of All the Debtors' Assets

On the Petition Date, the Debtors' filed the *Debtors' Motion for Entry of (I) an Order (A) Approving Bidding Procedures for the Sale of the Debtors' Real Estate and Designated Personal Property Assets, (B) Scheduling an Auction and Sale Hearing Related Thereto, (C) Approving the Form of Notice of the Auction and Sale Hearing, (D) Approving a Termination Fee and Expense Reimbursement* (the "Bidding Procedures Motion")*; and (II) an Order (A) Approving such Sale of the Assets Free and Clear of Liens, Claims, Encumbrances and Other Interests, (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with such Sale, (C) Allowing the Payment of Certain Valid Lien Claims and (D) Related Relief* (the "Sale Motion") [Docket No. 13] which sought approval of the Prepetition APA, subject to higher or better bids. The proposed sale of substantially all of the Debtors' assets (the "Proposed Sale") to SNCH, as the stalking horse bidder, consisted of total consideration of $21 million, before considerable purchase price adjustments.

On March 13, 2014, the Court entered an Order (the "Bidding Procedures Order") which, among other things, authorized the Debtors to conduct an auction (the "Auction") in connection with the Proposed Sale [Docket No. 81].

Prior to the Auction, the Debtors and the Committee determined that there were four (4) qualified bids for Komanoff's assets, in addition to SNCH's bid for both LBMC and Komanoff, but no qualified bids for LBMC's assets other than SNCH's. The Auction was held on May 6, 2014. At the Auction, it was determined that the most value could be obtained by selling the assets of LBMC and Komanoff separately. After negotiations among the Debtors, the Committee, and SNCH, SNCH agreed to revise its bid to purchase only LBMC's assets (the "LBMC Assets"). MLAP was selected as the highest bidder for Komanoff's assets (the "Komanoff Assets"). The Auction resulted in significantly more value to the Debtors' Estates and, ultimately, its creditors.

Sale of the LBMC Assets

After the Auction, the Debtors and SNCH negotiated the terms of a stipulation (the "Sale Stipulation") modifying the terms of the asset purchase agreement between LBMC and SNCH. Under the Sale Stipulation, the purchase price for the LBMC Assets was $10.25 million, subject to certain assumptions and adjustments. Among other things, (i) a debtor-in-possession loan provided by SNCH, as approved by Court Order dated March 12, 2014, in the amount of $4.5 million, plus accrued interest and expenses, was credited against the purchase price for the sale of the LBMC Assets; (ii) $1.25 million of the cash portion of the purchase price was allocated as consideration paid for the sale and transfer of the Debtors' rights in causes of action under Chapter 5 of the Bankruptcy Code ("Avoidance Actions"); (iii) SNCH was afforded a revised termination fee and expense reimbursement (collectively, the "Termination Fee") in the reduced aggregate amount of $450,000; and (iv) SNCH was to be paid all amounts owed under the SNCH Pre-Petition Credit Agreement from the proceeds of any sale of the Komanoff Assets. Additionally, SNCH agreed to assume up to $1 million of LBMC's employee obligations, which obligation was satisfied by the establishment of fund for the sole and exclusive benefit of the former employees, (the "SNCH Employee Consideration") and paid $500,000 for LBMC's furniture, fixtures, and equipment.[4]

[4] In addition, a dispute remains as to up to roughly $36,000 in fees allegedly incurred in connection with the sale of LBMC's furniture, fixtures, and equipment. The Debtors are holding the $36,000 in escrow and anticipate that

On May 22, 2014, the Court entered Orders approving the terms of the Sale Stipulation [Docket No. 186] and the sale of the LBMC Assets to SNCH (the "LBMC Sale Order") [Docket No. 184] free and clear of all liens, claims, encumbrances and other interests all as provided in the Sale Stipulation.

The closing of the Sale to SNCH was effective as of 12:01 a.m. on October 17, 2014 (the "LBMC Sale Effective Date") [Docket No. 272]. The LBMC Assets sold to SNCH primarily consisted of the following groups of real estate (each a "Property Grouping"): (1) a hospital facility (the "Hospital Campus"), (2) an adjacent parking lot ("Parking Lot"), (3) the FACTS Center[5], and (4) the Offsite Premises. After applying the closing proceeds to pay back certain obligations, including the DIP Facility (as defined herein), as expressly required by the Sale Stipulation, and setting aside certain amounts for carve outs, the net proceeds of the LBMC sale were $3,160,329.37 for LBMC's real property assets, $1.25 million for the sale of Avoidance Actions, and $500,000 for the sale of LBMC's furniture, fixtures, and equipment.

Shortly after the LBMC Sale Effective Date, LBMC's former chief wind-down officer distributed letters to LBMC's former employees notifying them of the amount of their claim, based on LBMC's books and records, giving each employee an opportunity to dispute such amount. The notice provided that in the absence of an objection/response the stated amount would become the amount of their claim and used for all purposes, including making their pro-rata distributions of the SNCH Employee Consideration. An initial 30% distribution was made to former LBMC employees from the SNCH Employee Consideration, with an expected supplemental distribution to be made in the future. Distributions from the SNCH Employee Consideration first satisfied any Allowed Administrative or Priority Claims held by the former employees, with any additional amounts being a payment on account of such former employees' Allowed Unsecured Claims.

Sale of the Komanoff Assets

The original terms of MLAP's winning bid for Komanoff's assets included $15.6 million in cash consideration, assumption of $1.1 million in healthcare program related liabilities, and assumption of paid time off and severance obligations for Komanoff employees. The bid also included a commitment to advance $1.5 million of additional financing to the Estates (to ultimately be credited against the purchase price), as more fully discussed in Section III.F above.

On May 22, 2014, the Court entered an order (the "MLAP Sale Order") [Docket No. 185] approving, among other things, the sale of Komanoff's assets to MLAP pursuant to certain purchase agreements by and between Komanoff and MLAP, each dated as of May 8, 2014

LBMC's furniture, fixtures, and equipment. The Debtors are holding the $36,000 in escrow and anticipate that this issue will be resolved consensually.

[5] FACTS, located in a separate building from the Hospital, was an outpatient treatment facility which specialized in substance abuse services.

(collectively, the "MLAP APA") and which authorized Komanoff to enter into a receivership agreement with MLAP (the "Receivership Agreement").

Given Komanoff's weak cash position at that time, and the anticipated receiver's commitment to operate on its own account (i.e., funding and assuming all losses during the Receivership Period) it was presumed by the parties that DOH would quickly appoint MLAP, or one or more of its members, as the receiver for Komanoff. Accordingly, shortly after entry of the MLAP Sale Order, the Debtors formally requested that DOH appoint a receiver for Komanoff pending the closing of the sale to MLAP. On or about July 2, 2014, citing New York Public Health Law § 2810(1), DOH denied Komanoff's request because, in its determination, the appointment of a receiver was not necessary. DOH determined that Komanoff's bankruptcy and continuing losses did not appear to be adversely impacting the care of the residents.

Thereafter, representatives for the Debtors, the Committee, and MLAP were in regular contact with DOH and each other to address the need for a receiver, the Debtors' deteriorating financial condition, and the changing regulatory landscape in the State of New York. During the course of those discussions, the Debtors demonstrated that, while they continued to hold patient safety of paramount importance, internal projections showed a developing liquidity crisis with Komanoff unable to continue funding day-to-day operations for any extended period. Accordingly, DOH ultimately agreed to approve the receivership. On November 3, 2014 DOH approved an amended form of the Receivership Agreement (the "Amended Receivership Agreement") and effective as of November 3, 2014 at 12:01 p.m., MLAP assumed control of Komanoff, as receiver (the "Receivership Effective Date"). The essential terms of the Amended Receivership Agreement included:[6]

> MLAP, as receiver (the "Receiver"), was to operate the Komanoff business, including, without limitation, the provision of patient care, on and after Receivership Effective Date for its own account and Receiver was solely responsible for all capital requirements of the business from and after the Receivership Effective Date.
>
> ***
>
> The Receiver was authorized to borrow from Komanoff up to $785,000 of the proceeds of accounts receivable generated prior to the Receivership Effective Date (which otherwise constituted the property of Komanoff and an Excluded Asset), and utilize such money to fund the expenses and liabilities arising out of, and relating to, the operation of Komanoff from and after the Receivership Effective Date.
>
> ***
>
> The Receiver was obligated to pay all expenses and liabilities arising out of, and relating to, the operation of Komanoff's business from and after the Receivership Effective Date.

[6] The terms of the Amended Receivership Agreement, to the extent provided herein, are provided for informational purposes and are intended to be a summary of the essential terms. Parties are encouraged to review the Amended Receivership Agreement [Docket No. 277, Ex. D].

***

> The Receiver would (a) honor and pay any wage payment obligations for vacation, holiday time, sick pay, and personal days which accrued prior to the Receivership Effective Date; (b) make any regularly scheduled contributions to any funds that arise under any collective bargaining agreement as a consequence of satisfying any such obligation or liability of Seller; and (c) pay any severance obligations for employees terminated during the Term of Receivership.

While addressing DOH's concerns regarding the appointment of a receiver and subsequently negotiating the terms of Amended Receivership Agreement, it became apparent to the Debtors and MLAP that the DOH was using the certificate of need ("CON") approval process as a means of reducing the aggregate number of nursing homes beds it would license in connection with the transfer of nursing homes. DOH had also begun to impose various construction and capital requirements in the CON approval process, which the Debtors and MLAP had not taken into account as part of MLAP's bid for Komanoff's assets. These new requirements potentially impacted the financial viability of MLAP's purchase and the attendant regulatory approvals needed to close.

Accordingly, the Debtors, the Committee, and MLAP agreed to restructure the sale terms, and on October 28, 2014, the Debtors filed the *Joint Motion to Authorize/Direct to Approve Amendments to the Purchase and Sale Agreement, Asset Purchase Agreement, and Receivership Agreement Relating to the Sale of the Assets and Properties of Long Beach Memorial Nursing Home, Inc.* [Docket No. 277] which, among other things, sought Court approval of amendments to the MLAP APA including: (i) an increased purchase price of $15.825 million, if a CON was approved by DOH for all 200 beds in connection with the Komanoff Sale; (ii) a per-bed credit of $81,500 against the increased purchase price if a CON was approved by DOH for less than 200 beds, but more than 150 beds; (iii) an additional per bed credit of $77,000 for each bed under 150 beds not approved by DOH; (iv) the limited use by MLAP, as receiver, of up to $785,000 of pre-receivership accounts receivable, which receivables were to be repaid to Komanoff on the earlier of termination of the Amended Receivership Agreement, conditional CON approval, or 150 days from the effective date of the Amended Receivership Agreement; and (v) the repayment by Komanoff of up to $1.5 million in advances made by MLAP if CON approval was not obtained and a sale with a third party is consummated on the same or better terms than those between the Debtors and MLAP.

On December 18, 2014, the Court approved the motion, and entered an Order approving certain amendments to the MLAP APA and further amendments to the Amended Receivership Agreement [Docket No. 335].

Among the obligations MLAP ultimately assumed were accrued benefits for Komanoff's employees who were employed on the Receivership Effective Date including, without limitation, vacation, holiday time, sick pay, personal days, and any CBA required contributions to any fund related to any such obligations (collectively, the "Accrued Benefits"). After discussions between the Debtors and MLAP, the parties determined that certain employees (the "Shared Employees") earned a majority of their Accrued Benefits while employed by LBMC. The Debtors and MLAP discussed and agreed that it would be inequitable for MLAP to fully assume the Shared Employees' Accrued Benefits under the terms of the Amended Receivership Agreement and the

MLAP APA. Accordingly, on August 25, 2016, the Debtors filed a motion [Docket No. 525] seeking approval of a non-material modification to the Komanoff sale documents whereby MLAP was to assume liability for 30% of the Shared Employees' Accrued Benefits, with the remaining 70% portion becoming an obligation of LBMC's Estate. On September 29, 2016, the Court entered an Order approving the motion [Docket No. 531].

The sale of the Komanoff Assets closed on August 29, 2016. In addition to the $1.23 million MLAP previously paid as a deposit, after applying the closing proceeds to pay back certain obligations, including obligations under the MLAP DIP Facility (as defined herein), the Debtors received $9,719,085 at closing. Pursuant to the Sale Stipulation between the Debtors and SNCH, a portion of the aforementioned proceeds of the Komanoff Sale were used to satisfy $2,216,259.10 in outstanding SNCH Pre-Petition Obligations and the $450,000 Termination Fee, thereby satisfying such obligations in full.

H. DISPUTES AND RESOLUTION RELATING TO LIEN PRIORITIES

PBGC Settlement

As set forth in Section II.B.4, prior to the Petition Date, the Debtors sponsored two (2) Pension Plans covering substantially all employees. The Pension Plans terminated on July 31, 2009. As a result of the termination and previously unpaid pension contributions, substantial liability arose against the Debtors for pension termination underfunding, unpaid contributions, unpaid special termination and pension insurance premiums. A significant portion of that liability became subject to federal tax liens. As a result, PBGC became the Debtors' largest secured and unsecured creditor, holding federal liens against the Debtors' assets in excess of $9.5 million and asserted unsecured claims of more than $54 million, approximately 90% of the unsecured claims pool. The Debtors and the Committee, through their counsel and financial advisors, investigated the PBGC Claims and after reviewing a substantial number of documents related to the PBGC Claims, the Debtors' and Committee's professionals concluded that the PBGC Claims and associated liens were subject to certain disputes and potential objections

In an effort to resolve the dispute with respect to all of PBGC's Claims, the Debtors, the Committee, and PBGC entered into settlement discussions which ultimately resulted in a settlement agreement (the "PBGC Settlement"). On July 30, 2015 the Debtors and the Committee filed a joint motion to approve the PBGC Settlement (the "PBGC Settlement Motion") [Docket No. 421] which was approved by Court Order on November 12, 2015 (the "PBGC Settlement Order") [Docket No. 455]. The PBGC Settlement provided PBGC with, among other things, (i) a secured claim of $9,546,934, in satisfaction of which it agreed to accept payment of $8.5 million, which Claim remains entitled to joint and several liability across the LBMC and Komanoff Estates (the "PBGC Secured Claim") and (ii) an allowed unsecured claim of $54,092,046.12 entitled to joint and several liability across the LBMC and Komanoff Estates, less any amount paid on account of PBGC's secured claim, subject to "subordination treatment" as set forth in the PBGC Settlement (the "PBGC Unsecured Claim").

"Subordination treatment" under the PBGC Settlement outlines a "waterfall" of payments between PBGC and other general unsecured creditors:

PBGC subordinated its right to payment on account of the PBGC Unsecured Claim to that of other unsecured creditors, such that (i) the first $1,500,000.00 of distributable value, if any, after satisfaction of senior claims (secured, administrative and priority) will be paid only to Non-PBGC General Unsecured Creditors; (ii) once the full value of the $1,500,000.00 subordination amount is utilized, PBGC will then be entitled to share pari-passu along with Non-PBGC General Unsecured Creditors until the point at which a total of $2,750,000.00 in aggregate distributions have been paid to Non-PBGC General Unsecured Creditors between the Debtors' Estates; (iii) the next $2,500,000.00 in distributable value will be paid only to and for the benefit of the PBGC on account of the PBGC Unsecured Claim; and (iv) any additional distributable value thereafter will be shared pari-passu between and among the PBGC and Non-PBGC General Unsecured Creditors.

First Central Motion, Adversary Proceeding, and the Resulting Lien Stipulation

As noted in Section II.B.3 above, as of the Petition Date, First Central held a first priority lien in the Offsite Premises. In connection therewith, prior to the Petition Date, First Central was holding cash, totaling approximately $380,000 (the "First Central Insurance Proceeds"), for damages arising from Superstorm Sandy and fire losses to a number of the Offsite Premises. At the request of First Central, on March 20, 2015, the Court entered an Order modifying the automatic stay and permitting First Central to apply $288,302.44 of the First Central Insurance Proceeds that were not subject to mechanics' liens towards the reduction of the principal amount of First Central's Secured Claim [Docket No. 385]. On April 16, 2015, the Court entered an Order modifying the automatic stay to permit First Central to release the remaining $94,779.90 of the First Central Insurance Proceeds to holders of mechanics' liens [Docket No. 393].

On June 18, 2015, First Central commenced an adversary proceeding (the "Adversary Proceeding") by filing a complaint (the "First Central Complaint") against LBMC, DASNY, and PBGC. As set forth in the First Central Complaint, First Central sought a determination of the extent, validity, and priority of all liens, claims, interests, or other encumbrances asserted in, on, to, or against the proceeds of the sale of the LBMC Assets, which included the Offsite Premises. In addition, First Central sought an Order directing the Debtors' to pay $2,335,781.44 (the amount First Central asserted it was due on account of its consolidated note) to First Central from the sale proceeds of the LBMC Assets.

In an effort to avoid potentially costly and protracted litigation, the Debtors, Committee, First Central, DASNY, and PBGC entered into extensive negotiations which ultimately resolved the Adversary Proceeding and established the priority of the Secured Claims of First Central, DASNY, and PBGC (the "Lien Stipulation").

On November 12, 2015, after notice on all parties entitled thereto, and a hearing, the Court entered an Order approving the Lien Stipulation [Adv. Case 15-08197, Docket No. 14], thereby establishing the extent and priority of the First Central, DASNY, and PBGC liens among the LBMC Assets, as of the Petition Date.

Pursuant to the LBMC Sale Order, the lien priorities provided in the Lien Stipulation attached to the sale proceeds in the same order of priority that they would have otherwise had with respect to the assets. The proceeds of the sale of the LBMC Assets were insufficient to satisfy fully the Secured Claims of First Central, DASNY, and PBGC. Thus, no other party has secured rights in such proceeds including, without limitation, holders of mechanics liens.

The following chart summarizes the priority and validity of the various claims as agreed to in the Lien Stipulation:

Claim	Validity	Priority
DASNY Claim	Allowed in the amount of $1,252,000.00	First priority secured lien on the Parking Lot.
First Central Claim	Allowed in the amount of $2,335,781.41	First priority secured lien on the Offsite Premises.
PBGC Claims	(i) PBGC Secured Claim: secured claim of $9,546,934 and cash payment in full satisfaction of its secured claim in an amount of up to $8,500,000.00 subject to joint and several liability across the LBMC and Komanoff Estates in the aggregate; (ii) PBGC Unsecured Claim: $54,092,046.12, less any amount paid on PBGC's Secured Claim and subject to the subordination treatment as set forth in the PBGC Settlement Order.	PBGC Secured Claim recognized as a first priority secured lien on the Hospital Campus and all other assets, except for the Parking Lot, and Offsite Premises, upon which it held a second priority secured lien.

In addition, the parties to the Lien Stipulation agreed that the allowed amounts of the DASNY and First Central Claims would be deemed secured and the portion of the net proceeds from the sale of the LBMC Assets payable on account of each respective allowed Claim would be determined at a later date, subject to Court approval.

The Initial Allocation Motion and the Amended Allocation Motion

On July 30, 2015, in an attempt to determine how the net sale proceeds of the LBMC Assets should be allocated, the Debtors and the Committee filed their initial motion seeking an order approving the allocation of proceeds from the sale of the LBMC Assets (the "Initial

Allocation Motion") [Docket No. 422], suggesting that the relative values of each Property Grouping should be keyed to the relative assessed tax values.

After significant discussions and negotiations among the parties, the Debtors and the Committee filed an amended allocation motion (the "Amended Allocation Motion") which proposed an allocation methodology based upon an appraisal (the "C&W Appraisal") of the LBMC Assets prepared by Cushman & Wakefield of Connecticut, Inc. ("C&W") [Docket No. 467]. The Debtors and the Committee asserted that using the C&W Appraisal was a fair and reasonable alternative to the assessed tax value methodology, and one which both PBGC and DASNY agreed to support.

First Central filed an objection to the Amended Allocation Motion (the "First Central Objection") [Docket No. 475] raising purported concerns with the valuation methods used by C&W in its appraisal.

After extensive arm's length negotiations where each party was represented by counsel, in order to reduce the risk and expense associated with litigating the Amended Allocation Motion, and to provide for the prompt and efficient resolution of the allocation of the proceeds from the sale of the LBMC Assets, the parties determined that they would be better served by amicable resolution of the contested matter.

The Allocation Stipulation

As more fully set forth in the stipulation between the Debtors, the Committee, First Central, DASNY, and PBGC (the "Allocation Stipulation"), the parties agreed to the following terms:

(i) **First Central Claim.** In full and final settlement of the First Central Claim, including any Secured Claim, the Debtors agreed to pay First Central $885,000 from the sale proceeds of the LBMC Assets. Upon payment of the settlement amount, First Central was to have no further rights or Claims against the Debtors' Estates.

(ii) **DASNY Claim.** In full and final settlement of the DASNY Claim, including any Secured Claim, the Debtors agreed to pay DASNY $850,000 from the sale proceeds of the LBMC Assets. Upon payment of the settlement amount, DASNY was to have no further rights or Claims against the Debtors' Estates.

(iii) **PBGC Claims.** The balance of the sale proceeds from the LBMC Assets, or the sum of $1,425,329.37, was to be paid to PBGC on account of its Secured Claim. PBGC was entitled to retain: (i) its Secured Claim less any amount paid on account of the sale proceeds from LBMC Assets; and (ii) its Unsecured Claim. The PBGC Claims remained subject to the subordination treatment and other compromises as set forth in the PBGC Settlement Order.

On May 11, 2016, the Court entered an order approving the Allocation Stipulation [Docket No. 506], and, thereafter, LBMC made the necessary payments to First Central, DASNY, and PBGC, pursuant to the terms of the Allocation Stipulation. Accordingly, neither First Central nor DASNY have remaining Claims against the Debtors' Estates.

I. The Records Retention Agreement

In the course of the Debtors' provision of health care services, the Debtors generated a large volume of records, including business and patient medical records (the "Records"). Under various federal and state laws, the Debtors have obligations with respect to the long-term storage, provision of patient access and ultimate destruction of such Records. In order to provide for the discharge of these obligations in accordance with the requirements of law, the Debtors entered into an agreement with CitiStorage LLC, a Recall Company ("CitiStorage"), pursuant to which CitiStorage agreed to retain the Records, fulfill appropriate requests therefor, and ultimately dispose of such Records. In a motion dated October 11, 2016 [Docket No. 533], the Debtors sought Court approval of the agreement with CitiStorage which was approved by a Court Order entered on December 1, 2016 [Docket No. 544]. Thereafter, the Debtors completed the transfer of the Records to CitiStorage.

The Debtors also had certain records damaged during Superstorm Sandy which were removed and frozen by a certain FEMA Vendor. Those records were stored by the FEMA Vendor at a third party location and, to date, such records remain with the FEMA Vendor. Issues remain as to whether or not such records can ultimately be restored or will instead need to be destroyed. The Debtors, or the Plan Administrator, as applicable, will continue to work with the FEMA Vendor to resolve the outstanding issues surrounding these records.

J. Claims Process and Bar Dates

On March 19, 2014, the Debtors filed their schedules of assets and liabilities and statements of financial affairs with the Court [Docket Nos. 96-99], which were amended on January 23, 2015 [Docket No. 345] (the "Schedules"), which set forth, among other things, amounts the Debtors believe they owe to various parties. In order to allow creditors to assert Claims and allow the Debtors to gauge the full extent of Claims by a date certain, the Court established a deadline for the filing of any pre-petition claims against the Debtors. On February 26, 2014, the Court entered an order (the "General Bar Date Order") setting April 25, 2014 as the general bar date for creditors of the Debtors' Estates to file proofs of claim relating to the pre-petition period (the "General Bar Date") and August 18, 2014 for governmental units to file proofs of claim against the Debtors' Estates [Docket No. 41]. The General Bar Date Order provides, except as set forth therein, that any holder of a pre-petition Claim that fails to file a timely proof of claim on or before the Bar Date shall not be permitted to vote to accept or reject any plan of liquidation or to participate in any distribution in the Cases on account of such Claim. Pursuant to the General Bar Date Order, for those creditors listed on the amended schedules filed by the Debtors on January 23, 2015, February 23, 2015 was set for such creditors of the Debtors' Estates to file proofs of claim relating to the pre-petition period.

Prior to seeking Court approval of this Disclosure Statement, the Debtors requested that the Court establish a deadline for the filing of all administrative claims against the Debtors,

incurred from and after the Petition Date, February 19, 2014, through June 30, 2016 [Docket No. 522]. By Order dated August 18, 2016 (the "Administrative Bar Date Order"), the Court established October 19, 2016 (the "Administrative Bar Date") as the deadline for the filing of all Administrative Claims against the Debtors **from the Petition Date through June 30, 2016** [Docket No. 523]. The Administrative Bar Date Order also provides, that except as set forth therein, any holder of an Administrative Claim against the Debtors who fails to file a timely administrative claim form on or before the Administrative Bar Date shall not be permitted to ~~vote to accept or reject any plan of liquidation or to~~ participate in any distribution in the Cases on account of such Claim.

Pursuant to the MLAP Sale Order, upon the Receivership Effective Date, MLAP was authorized to operate Komanoff for its own account as receiver under the terms, conditions, and limitations set forth in the Receivership Agreement and that "all obligations, debts and liabilities incurred by [MLAP] shall be the sole responsibility of [MLAP], not [Komanoff]'s estate, and shall not entitle any third party to file a claim, lien or other encumbrance against the Komanoff Debtor's estate." Accordingly, the Debtors intend to object to any Administrative Claims asserted against Komanoff, or any portion thereof, which arose after November 3, 2015 at 12:01 p.m. as being improperly asserted against Komanoff's Estate. For the avoidance of doubt, Creditors holding Claims against Komanoff which arose after the Receivership Effective Date are not barred by the Administrative Bar Date Order or their failure to file a timely proof of claim from asserting such claim against MLAP.

As of the date hereof, more than 1,900 filed and scheduled claims have been asserted against the Debtors' Estates with an aggregate asserted liability of approximately $580 million. The claims assert varying levels of priority including administrative, secured, unsecured priority and general unsecured. A preliminary review of the Claims indicates approximately 37 Claims are seeking administrative priority for a purported aggregate liability of $1,999,030.41. A total of 105 Claims have been filed or scheduled as Secured Claims with a purported liability of $89,240,723.77. An additional 302 Claims have been filed or scheduled as unsecured priority claims with a total asserted liability of $93,878,152.28. Approximately 1,268 Claims have been filed or scheduled as general unsecured claims asserting total liabilities of $399,685,043.08.

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

K. Executory Contracts and Unexpired Leases

As of the Petition Date, the Debtors were party to numerous executory contracts (*e.g.* employment contracts, service agreements and equipment leases) and leases of non-residential real property. Paragraphs 19-24 of the Bidding Procedures Order provided the manner and timeline for the Debtors to assume, assume and assign, or reject executory contracts in connection with the sales of the Debtors' assets [Docket No. 81]. In connection with the sale of the LBMC Assets, LBMC was authorized to assume and assign or reject LBMC's executory contracts, and,

accordingly, during the pendency of the Cases, LBMC filed notices either rejecting or assuming and assigning certain LBMC executory contracts [Docket Nos. 194, 220, and 262]. In connection with the sale of the Komanoff Assets, Komanoff was authorized by Court Order to assume, assume and assign, or reject executory contracts through and including confirmation of any plan in these Cases [Docket No. 406]. The Plan provides for rejection of all remaining executory contracts.

L. The State of New York Department of Labor Claims

The Debtors are each not-for-profit corporations under § 501(c)(3) of the Federal Internal Revenue Code, and, as such, were able to elect one of two payment methods for discharging its obligations to the New York State Department of Labor (the "DOL"), referred to as either the "reimbursement" or "tax contribution" options. Those employers that elect the tax contribution basis remit funds to the DOL periodically as a tax. This tax is based on the employer's applicable tax rate and the annual compensation paid to its employees.

Employers that elect the reimbursement option do not make periodic payments and instead are only obligated to repay the DOL for unemployment benefits actually paid out to former employees. Like many not-for-profits, the Debtors elected to satisfy their unemployment obligations on a reimbursement basis. Accordingly, after Superstorm Sandy the Debtors' obligations to the DOL rose precipitously at the same time their revenue stream collapsed, giving rise to a potential Claim for non-payment.

The DOL filed Claims in these Cases which assert that LBMC and Komanoff owe $3,469,855.72 and $546,458.71, respectively, on account of unemployment benefits the DOL paid to the Debtors' terminated employees. The DOL asserts that these Claims are either secured by state tax liens or tax warrants, or are otherwise entitled to priority status as taxes. The Plan Proponents disagree with such assertions.

On December 28, 2016, the Debtors and the Committee filed a joint motion seeking entry of a Court Order approving a stipulation between LBMC and the DOL amending and reclassifying DOL's claims against LBMC's Estate as an allowed priority claim of $300,000 and an allowed general unsecured claim for $3,169,855.72 [Docket No. 548]. On January 30, 2017, the Court entered an Order approving the stipulation [Docket No. 552]. The DOL's claims against Komanoff's Estate were unaffected by the stipulation.

M. The Universal Settlement

During the pendency of the Cases, the State of New York (the "State") and nursing home industry attorneys agreed to the terms of a settlement (the "Universal Settlement") whereby, in exchange for surrendering certain backlogged Medicaid rate appeals and lawsuits against the State, which relate to the prepetition period, facilities would receive $850 million, in the aggregate, in five annual equal installments. Pursuant to the terms of the Universal Settlement, Komanoff's share of the Universal Settlement is approximately $1.8 million, in the aggregate (the "Komanoff Share"), to be paid as five (5) annual equal distributions from the State or State agencies.

MLAP, the purchaser of Komanoff's assets, has asserted rights to all or a portion of the Komanoff Share. The Plan Proponents disagree with such assertion and the State is currently holding the first two (2) of the five (5) Komanoff Share distributions pending a determination as to the rightful owner of such funds. The Debtors continue to work with MLAP in an attempt to reach a consensual resolution, however, there can be no assurance that such a resolution will be achieved. Moreover, in the absence of a consensual resolution, the outcome of any litigation is uncertain.

N. Avoidance Actions

As part of the sale of the LBMC Assets, the Debtors sold LBMC's rights to Avoidance Actions to SNCH in exchange for $1.25 million. With respect to Komanoff's Avoidance Actions, during the pendency of the Cases the Debtors, in consultation with the Committee, reviewed the potential causes of action, along with the anticipated defenses, and collectively determined that due to the minimal value of the potentially avoidable transactions, no Avoidance Actions would be initiated or pursued.

IV. OVERVIEW OF THE PLAN

A. General

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

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

B. Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims of a debtor's creditors into classes containing claims that are substantially similar. Thus, the Plan divides the holders of Claims into two (2) unclassified categories and twelve (12) Classes, and sets forth the treatment offered to each Class.[7]

[7] While the Plan Proponents believe that their classification of all Claims is in compliance with the provisions of § 1122 of the Bankruptcy Code, it is possible that a holder of a Claim may challenge the Plan Proponents'

For the holder of a Claim to participate in a plan of reorganization and receive the treatment offered to the class in which it is classified, its Claim must be "Allowed." Under the Plan, "Allowed," with reference to any Claim, means: (a) such Claim is scheduled by the Debtors pursuant to the Bankruptcy Code and Bankruptcy Rules in a liquidated amount and not listed as contingent, unliquidated, zero, undetermined or disputed, or (b) a proof of such Claim was timely filed, or deemed timely filed, pursuant to the Bankruptcy Code, the Bankruptcy Rules, and/or any applicable Final Order, and, in either case, has not been previously satisfied and (x) is not objected to within the period fixed by the Bankruptcy Code, the Bankruptcy Rules, this Plan, and/or applicable Final Orders of the Court, (y) has been settled pursuant to either Section 9.2 of the Plan, or (z) has otherwise been allowed, or in respect of Medical Malpractice/Personal Injury Claims estimated for distribution purposes, by a Final Order. An "Allowed Claim" shall be net of any amounts previously paid, as well as any valid setoff or recoupment amount based on a valid setoff or recoupment right. Except as otherwise expressly provided herein, the term "Allowed Claim" shall not, for the purposes of computation of distributions under the Plan, include any amounts not allowable under the Bankruptcy Code or applicable law.

The Plan segregates the various Claims against the Debtors into the following categories:

Class	**Claim**
LBMC 1	Allowed PBGC Secured Claim
LBMC 2	Allowed Other Secured Claims
LBMC 3	Allowed Priority Non-Tax Claims
LBMC 4	Allowed FEMA Claims
LBMC 5	Allowed General Unsecured Claims
LBMC 6	Allowed PBGC Unsecured Claim
Komanoff 1	Allowed PBGC Secured Claim
Komanoff 2	Allowed Other Secured Claims
Komanoff 3	Allowed Priority Non-Tax Claims

1122 of the Bankruptcy Code, it is possible that a holder of a Claim may challenge the Plan Proponents' classification scheme and the Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Plan Proponents, to the extent permitted by the Court, to modify the Plan to provide for whatever reasonable classification might be required by the Court for Confirmation, and to use the acceptances received by the Balloting Agent from any holder of a Claim pursuant to this solicitation for the purpose of obtaining the approval of the class or classes of which such holder of a Claim is ultimately deemed to be a member.

Komanoff 4	Allowed FEMA Claims
Komanoff 5	Allowed General Unsecured Claims
Komanoff 6	Allowed PBGC Unsecured Claim

Under the Plan, Claims in LBMC Classes 2 and 3 and Komanoff Classes 2 and 3 are unimpaired and Claims in LBMC Classes 1, 4, 5, and 6 and Komanoff Classes 1, 4, 5, and 6 are Impaired. Set forth below is a summary of the Plan's treatment of the various categories and Classes of Claims. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern.

UNCLASSIFIED CATEGORIES OF CLAIMS

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

a. Administrative Claims

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

Estimation of Administrative Claims. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to seek to estimate any unliquidated Administrative Claim if the fixing or liquidation of such Administrative Claim would unduly delay the administration of and distributions under the Plan (including seeking to estimate post-petition indemnification, or Medical Malpractice/Personal Injury Claims in the District Court).

Treatment. Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Claim (other than of a Professional Fee Claim), will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim: (1) on the Effective Date or as soon as practicable

thereafter, or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (2) if the Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order of the Court Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (3) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim, without any further action by the Holders of such Allowed Administrative Claims; (4) at such other time that is agreed to by the Debtors and the Holders of such Allowed Administrative Claim; or (5) at such other time and on such other terms set forth by an order of the Court.

b. Priority Tax Claims

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

c. Professional Fee Claims

Professional Fee Claims Bar Date. All final applications for payment of Professional Fee Claims for the period through and including the Effective Date shall be filed with the Court and served on the Plan Administrator and the other parties entitled to notice pursuant to the Interim Compensation and Reimbursement Procedures Order [Docket No. 93] on or before the Professional Fee Claims Bar Date, or such later date as may be agreed to by the Plan Administrator. Any Professional Fee Claim that is not asserted in accordance with this Section 2.4(a) shall be deemed Disallowed under the Plan and the Holder thereof shall be enjoined from asserting any claim to collect, offset, recoup or recover such Claim against the Estates or any of their respective Assets or property.

Treatment. Each Holder of an Allowed Professional Fee Claim shall be paid in Cash from Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, in an amount equal to such Allowed Professional Fee Claim on or as soon as reasonably practicable after the first Business Day following the date upon which such Claim becomes Allowed by Final Order, unless such Holder agrees to a different and less favorable treatment of such Claim. ~~The Debtors estimate that, as of the Effective Date, the Allowed Professional Fee Claims that will remain to be satisfied, exclusive of holdbacks, will total approximately $600,000.~~**As of the date**

hereof, Debtors Counsel has been paid approximately $1,935,466, Committee Counsel has been paid approximately $604,527, the Committee's Financial Advisors have been paid approximately $486,067, the Healthcare Ombudsman was paid approximately $46,357.53, the Healthcare Ombudsman's Counsel was paid approximately $52,446.53, and the Debtor's Claims and Noticing Agent has been paid approximately $523,005. The aforementioned amounts have been paid on an interim basis and remain subject to final fee applications. The Debtors have budgeted an additional $1.5 million for accrued and unpaid fees and expenses through the effective date of the Plan, which amounts include holdbacks from interim distributions.

Post Effective Date Services. The fees and expenses of professionals retained by the Plan Administrator and the Post Effective Date Committee on and after the Effective Date, shall be paid by the Plan Administrator from Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, upon receipt of invoice(s) therefor, or on such other terms as the Plan Administrator and the applicable professional may agree to, without the need for further Court authorization or entry of a Final Order, but subject to the approval of the Post Effective Date Committee, which approval shall not unreasonably be withheld. If the Plan Administrator and the professional cannot agree on the amount of post Effective Date fees and expenses to be paid to such professional, such amount shall be determined by the Court.

d. U.S. Trustee Fees

The Debtors shall pay from Komanoff Remaining Cash or LBMC Remaining Cash, as applicable, all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due and payable under 31 U.S.C. § 3717, if any, on all disbursements, including Plan payments and disbursements in and outside the ordinary course of the Debtors' businesses, until the entry of a final decree, dismissal of the Cases or conversion of the Cases to Chapter 7.

UNIMPAIRED CLASSES OF CLAIMS

A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims in certain classes are to remain unchanged by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims in such "unimpaired" classes. Under the Plan, LBMC Classes 2 and 3, and Komanoff Classes 2 and 3 are unimpaired and, therefore, are deemed to have accepted the Plan.

a. LBMC Class 2 – Allowed Other Secured Claims.

Composition. LBMC Class 2 consists of all Allowed Secured Claims against LBMC other than the Allowed PBGC Secured Claim and any Allowed FEMA Claims. LBMC Class 2 shall be considered a separate sub-class for each Secured

Claim. The Debtors do not believe there will be any remaining Allowed Other Secured Claim as of the Effective Date.

Treatment. Except to the extent that a Holder of an Allowed LBMC Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 2 Claim, each Holder of an Allowed LBMC Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such LBMC Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such LBMC Class 2 Claim; (c) receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed LBMC Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed LBMC Class 2 Claim is less than the amount of such Allowed LBMC Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed LBMC Class 5 Claim. LBMC Class 2 is Unimpaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 2 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. LBMC Class 3 – Allowed Priority Non-Tax Claims.

Composition. LBMC Class 3 consists of Allowed Priority Non-Tax Claims against LBMC. The Debtors estimate that Allowed Priority Non-Tax Claims that remain to be satisfied will total between approximately $500,000 and $600,000.

Treatment. Except to the extent that a Holder of an Allowed LBMC Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 3 Claim, each Holder of an Allowed LBMC Class 3 Claim shall be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Court. LBMC Class 3 is Unimpaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 3 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

c. Komanoff Class 2 – Allowed Other Secured Claims.

Composition. Komanoff Class 2 consists of all Allowed Secured Claims against Komanoff other than the Allowed PBGC Secured Claim and any FEMA Claims. Komanoff Class 2 shall be considered a separate sub-class for each Secured Claim. The Debtors ~~do not~~ anticipate ~~there being any~~ remaining Komanoff Class 2 Allowed Other Secured Claims **to be less than $1,000,000**.

Treatment. Except to the extent that a Holder of an Allowed Komanoff Class 2 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 2 Claim, each Holder of an Allowed Komanoff Class 2 Claim shall (a) be paid in full, in Cash, on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Komanoff Class 2 Claim becomes an Allowed Claim, or (iii) such other date as may be ordered by the Court; (b) shall receive the Collateral securing such Komanoff Class 2 Claim; (c) shall receive such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Komanoff Class 2 Claim is entitled; or (d) shall receive such other distribution as necessary to satisfy the requirements of § 1129 of the Bankruptcy Code. For the avoidance of doubt, to the extent that the value of the Collateral securing such Allowed Komanoff Class 2 Claim is less than the amount of such Allowed Komanoff Class 2 Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Allowed Komanoff Class 5 Claim. Komanoff Class 2 is Unimpaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 2 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

d. Komanoff Class 3 – Allowed Priority Non-Tax Claims.

Composition. Komanoff Class 3 consists of Allowed Non-Tax Priority Claims against Komanoff. The Debtors estimate that Allowed Priority Non-Tax Claims that remain to be satisfied will total **less than** approximately $600,000.

Treatment. Except to the extent that a Holder of an Allowed Komanoff Class 3 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 3 Claim, each Holder of an Allowed Komanoff Class 3 Claim shall be paid in full in Cash on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Court. Komanoff Class 3 is Unimpaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 3 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

IMPAIRED CLASSES

Pursuant to § 1124 of the Bankruptcy Code, a class of claims is impaired if the legal, equitable, and contractual rights of the holders of claims in such class are modified or altered by a plan. Holders of allowed claims in impaired classes that receive or retain property under a plan of reorganization or liquidation are entitled to vote on such plan. Under the Plan, LBMC Classes 1, 4, 5, and 6 and Komanoff Classes 1, 4, 5, and 6 are impaired and are entitled to vote on the Plan.

a. LBMC Class 1 – Allowed PBGC Secured Claim.

Composition. LBMC Class 1 consists of PBGC's Allowed Secured Claim against LBMC.

Treatment. Except to the extent the Holder of an Allowed LBMC Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 1 Claim, the Holder of such Claim shall receive, in Cash, from the proceeds of PBGC's Collateral up to $7,074,670.63 on the Effective Date, or as soon as thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties. LBMC Class 1 is Impaired by the Plan and, therefore, the Holder of an Allowed LBMC Class 1 Claim is entitled to vote to accept or reject the Plan.

b. LBMC Class 4 – Allowed FEMA Claims.

Composition. LBMC Class 4 consists of Allowed FEMA Claims against LBMC.

Treatment. Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the LBMC Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from LBMC Remaining Cash, the Holders of LBMC Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program, on account of their respective Claims. LBMC Class 4 is Impaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 4 Claim is entitled to vote to accept or reject the Plan.

c. LBMC Class 5 – Allowed General Unsecured Claims.

Composition. LBMC Class 5 consists of Allowed General Unsecured Claims which arose prior to the Petition Date. The Debtors estimate that Allowed General Unsecured Claims will total in excess of approximately $13,000,000.

Treatment. Except to the extent that a Holder of an Allowed LBMC Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every LBMC Class 5 Claim, each Holder of an Allowed LBMC Class 5 Claim shall be entitled to receive, in Cash:

(a) a pro-rata distribution of Net LBMC Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net LBMC Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed Komanoff Class 5 Claims; plus,

(b) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds, to be shared pari-passu with the Holder of the LBMC Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an

amount of additional Net LBMC Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of Komanoff Class 5 Claims; plus,

(c) to the extent any Net LBMC Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net LBMC Proceeds, pari-passu with the Holder of the LBMC Class 6 Claim.

LBMC Class 5 is Impaired by the Plan and, therefore, each Holder of an Allowed LBMC Class 5 Claim is entitled to vote to accept or reject the Plan.

d. LBMC Class 6 – Allowed PBGC Unsecured Claim.

Composition. LBMC Class 6 consists of the Allowed PBGC Unsecured Claim. The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000.

Treatment. In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed LBMC Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash:

(a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net LBMC Proceeds to be shared pari-passu with Holders of Allowed LBMC Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus,

(b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net LBMC Proceeds up to the Subordination Amount; plus

(c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net LBMC Proceeds pari-passu with Holders of Allowed LBMC Class 5 Claims.

e. Komanoff Class 1 – Allowed PBGC Secured Claim.

Composition. Komanoff Class 1 consists of PBGC's Allowed Secured Claim against Komanoff.

Treatment. Except to the extent the Holder of an Allowed Komanoff Class 1 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 1 Claim, the Holder of such Claim shall receive, in Cash, the proceeds of PBGC's Collateral up to $7,074,670.63, less any payments by LBMC made pursuant to Section 4.1 of the Plan on account of the LBMC Class 1 Claim, on the Effective Date, or as soon as

thereafter practicable, or such other date as may be ordered by the Court or agreed to by the parties. Komanoff Class 1 is Impaired by the Plan and, therefore, the Holder of an Allowed Komanoff Class 1 Claim is entitled to vote to accept or reject the Plan.

f. Komanoff Class 4 – Allowed FEMA Claims.

Composition. Komanoff Class 4 consists of Allowed FEMA Claims against Komanoff.

Treatment. Except to the extent that a Holder of an Allowed FEMA Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the Komanoff Class 4 Claims, on the Effective Date, or as soon as practicable thereafter, and in lieu of any distribution from Komanoff Remaining Cash, the Holders of Komanoff Class 4 Claims shall receive, in Cash, all amounts recoverable from FEMA and/or New York State, through the NYS FEMA Match Program , on account of their respective Claims. Komanoff Class 4 is Impaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 4 Claim is entitled to vote to accept or reject the Plan.

g. Komanoff Class 5 – Allowed General Unsecured Claims.

Composition. Komanoff Class 5 consists of Allowed General Unsecured Claims against Komanoff which arose prior to the Petition Date. The Debtors estimate that Allowed General Unsecured Claims will total between approximately $4,600,000 and $9,200,000.

Treatment. Except to the extent that a Holder of an Allowed Komanoff Class 5 Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each and every Komanoff Class 5 Claim, each Holder of an Allowed Komanoff Class 5 Claim shall be entitled to receive, in Cash:

(a) a pro-rata distribution of Net Komanoff Proceeds up to 50% of the Tranche 1 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $750,000 (an amount equal to 50% of the Tranche 1 Limit) and any Distributable Value actually distributed to Holders of Allowed LBMC Class 5 Claims; plus,

(b) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds, to be shared pari-passu with the Holder of the Komanoff Class 6 Claim, up to 50% of the Tranche 2 Limit, plus, an amount of additional Net Komanoff Proceeds equal to the difference, if any, between $625,000 (an amount equal to 50% of the Tranche 2 Limit) and any Distributable Value actually distributed to Holders of LBMC Class 5 Claims; plus,

(c) to the extent any Net Komanoff Proceeds remain after the Debtors actually distribute Distributable Value, in the aggregate, up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of all remaining Net Komanoff Proceeds, pari-passu with the Holder of the Komanoff Class 6 Claim.

Komanoff Class 5 is Impaired by the Plan and, therefore, each Holder of an Allowed Komanoff Class 5 Claim is entitled to vote to accept or reject the Plan.

h. Komanoff Class 6 – Allowed PBGC Unsecured Claim.

Composition. Komanoff Class 6 consists of the Allowed PBGC Unsecured Claim. The Debtors estimate that the Allowed PBGC Unsecured Claim will total approximately $46,015,000.

Treatment. In exchange for full and final satisfaction, settlement, release, and discharge of the Allowed Komanoff Class 6 Claim, PBGC and its successors, assigns, and affiliates shall be entitled to receive, in Cash:

(a) after the Debtors actually distribute Distributable Value up to the Tranche 1 Limit, a pro-rata distribution of Net Komanoff Proceeds to be shared pari-passu with Holders of Allowed Komanoff Class 5 Claims until the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit; plus,

(b) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, Net Komanoff Proceeds up to the Subordination Amount; plus

(c) after the Debtors, in the aggregate, actually distribute Distributable Value up to the Tranche 2 Limit, and after PBGC receives full payment of the Subordination Amount, a pro-rata distribution of Net Komanoff Proceeds pari-passu with Holders of Allowed Komanoff Class 5 Claims.

Komanoff Class 6 is Impaired by the Plan and, therefore, the Holder of an Allowed Komanoff Class 6 Claim is entitled to vote to accept or reject the Plan.

C. Implementation of the Plan and Plan Administrator

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

(2) Appointment of the Plan Administrator. On the Effective Date, the monetization of the Debtors' remaining assets and causes of actions and distributions to creditors shall become the general responsibility of the Plan Administrator. The Confirmation Order shall provide for the appointment of the Plan Administrator. The selection of, and compensation for, the Plan Administrator shall be set forth in the Plan Supplement. The Plan Administrator shall be deemed

the Estates' representative in accordance with § 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified under §§ 704 and 1106 of the Bankruptcy Code. The Plan Administrator shall obtain and maintain a bond in an amount equal to one hundred and ten percent (110%) of the aggregate of Komanoff Remaining Cash and LBMC Remaining Cash. As Komanoff Remaining Cash and LBMC Remaining Cash are reduced through distributions and payments by the Plan Administrator and/or additional Cash comes into the Estates, the Plan Administrator shall, at the appropriate time, adjust the amount of the bond to an amount equal to at least 110% of the amount of Cash in the Estates. The Plan Administrator may use Estate Assets to obtain such bond and the cost of such bond shall be apportioned equally between the Debtors' Estates.

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

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

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

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

(iv) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), or further Order of the Court, to pay the fees and expenses for the attorneys, consultants, agents, employees and professional persons engaged by the Plan Administrator and the Post Effective Date Committee and to pay all other expenses in connection with administering the Plan and for winding down the affairs of the Debtors in each case in accordance with the Plan;

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

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

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

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

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

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

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

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

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

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

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

(xvi) to act on behalf of the Debtors in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), then pending or that can be commenced in the Court and in all actions and proceedings pending or commenced elsewhere, and to settle, retain, enforce, or dispute any adversary proceedings or contested matters (including, without limitation, any Causes of Action) and otherwise pursue actions involving Assets of the Debtors that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise specifically waived or relinquished in the Plan, provided, however, that settlements by the Plan Administrator of Causes of Action shall be subject to the approval of the Post Effective Date Committee. The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of a Cause of Action. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no

written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the Post Effective Date Committee shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval;

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

(xviii) to implement and/or enforce all agreements entered into prior to the Effective Date, and

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

D. Post Effective Date Committee

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

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

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

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

e. If the Plan Administrator does not consent to the Post Effective Date Committee's prosecution of a Cause of Action of the Debtors, the Post Effective Date Committee may seek authority and standing from the Court to prosecute such Cause of Action, and all rights of the Plan Administrator to object or otherwise oppose such relief are reserved.

E. Distributions

(1) Plan Distributions. The Plan Administrator shall make distributions to Holders of Allowed Claims in accordance with Article IV of the Plan on the Effective Date. From time to time, in consultation with the Post Effective Date Committee, the Plan Administrator shall make Pro Rata distributions to Holders of Allowed LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims in accordance with Article IV of the Plan. Notwithstanding the foregoing, the Plan Administrator may retain such amounts (i) as are reasonably necessary to meet contingent liabilities (including Disputed Claims and unliquidated Medical Malpractice/Personal Injury Claims) and to maintain the value of the assets of the Estates during liquidation, (ii) to pay reasonable administrative expenses (including the costs and expenses of the Plan Administrator and the Post Effective Date Committee and the fees, costs and expenses of all professionals retained by the Plan Administrator and the Post Effective Date Committee, and any taxes imposed in respect of the Assets), (iii) to satisfy other liabilities to which the Assets are otherwise subject, in accordance with the Plan, and (iv) to establish any necessary reserve. All distributions to the Holders of Allowed Claims shall be made in accordance with the Plan. The Plan Administrator may withhold from amounts distributable to any Person any and all amounts determined in the Plan Administrator's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Holders of Allowed Claims shall, as a condition to receiving distributions, provide such information and take such steps as the Plan Administrator may reasonably require to ensure compliance with withholding and reporting requirements and to enable the Plan Administrator to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law. In the event that a Holder of an Allowed Claim does not comply with the Plan Administrators requests in the preceding sentence within ninety (90) days, no distribution shall be made on account of such Allowed Claim and the Plan Administrator shall reallocate such distribution for the benefit of all other Holders of Allowed Claims in accordance with the Plan.

(2) Cash Distributions. The Plan Administrator shall not be required to make interim or final Cash distributions in an amount less than $~~50~~**100**. Any funds so withheld and not distributed on an interim basis shall be ~~held in reserve and~~ distributed in subsequent distributions to the extent the aggregate distribution exceeds $10,000. Should a final distribution to any Holder of an Allowed Claim not equal or exceed $~~50~~**100**, that sum shall be distributed to other Holders of Allowed Claims in accordance with the Plan.

(3) Delivery of Plan Distributions. All distributions under the Plan on account of any Allowed Claims shall be made at the address of the Holder of such Allowed Claim as set forth in a filed Proof of Claim or on the register on which the Plan Administrator records the name and

address of such Holders or at such other address as such Holder shall have specified for payment purposes in a written notice to the Plan Administrator at least fifteen (15) days prior to such distribution date. In the event that any distribution to any Holder is returned as undeliverable, the Plan Administrator shall use reasonable efforts to determine the current address of such Holder, but no distribution to such Holder shall be made unless and until the Plan Administrator has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, that such undeliverable or unclaimed distributions shall become Unclaimed Property at the expiration of ~~one hundred eighty~~**ninety** (~~180~~**90**) days from the date such distribution was originally made. The Plan Administrator shall reallocate the Unclaimed Property for the benefit of all other Holders of Allowed Claims in accordance with the Plan, provided, however, if the Plan Administrator determines, with the approval of the Post Effective Date Committee, that the administrative costs of distribution effectively interfere with distribution or that all creditors, including administrative claimants, have been paid in full and there is no one that has a right to the funds, such remaining Unclaimed Property shall be donated to the American Bankruptcy Institute Endowment Fund, a not-for-profit, non-religious organization dedicated to, among other things, promoting research and scholarship in the area of insolvency.

(4) Distributions to Holders as of the Confirmation Date. As of the close of business on the Confirmation Date, the claims register shall be closed, and there shall be no further changes in the record Holders of any Claims. Neither the Debtors nor the Plan Administrator, as applicable, shall have any obligation to recognize any transfer of any Claims occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Section 6 of the Plan) with only those Holders of record as of the close of business on the Confirmation Date.

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

F. Separate Plans

Although the Plan is presented as a joint plan of liquidation, the Plan does not provide for the substantive consolidation of the Debtors' Estates, and on the Effective Date, the Debtors' Estates shall not be substantively consolidated for any reason. Except as specifically set forth in the Plan, nothing in the Plan shall constitute or be deemed to constitute an admission that any one or all of the Debtors is subject to or liable for any Claims against any other Debtor. A Claim against multiple Debtors will be treated as a separate Claim against each Debtor's Estate for all purposes including, but not limited to, voting and distribution; provided, however, that no Claim will receive value in excess of 100% of the Allowed amount of such Claim.

G. Executory Contracts and Unexpired Leases

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

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

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

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

H. Provisions for Resolving and Treating Claims

(1) Disputed Claims. Except as otherwise provided herein, the Plan Administrator shall have the right to object to all Claims on any basis, including those Claims that are not listed

in the Schedules, that are listed therein as disputed, contingent, and/or unliquidated, that are listed therein at a lesser amount than asserted by the respective Creditor, or that are listed therein for a different category of claim than asserted by the respective Creditor. Subject to further extension by the Court for cause with or without notice, the Plan Administrator may object to the allowance of LBMC Class 5 Claims and Komanoff Class 5 Claims up to one hundred eighty (180) days after the Effective Date, the allowance of Administrative/Priority Claims and Secured Claims up to the later of (i) ninety (90) days after the Effective Date or (ii) the deadline for filing an objection established by order of the Court; provided, however, that an objection to a Claim based on § 502(d) of the Bankruptcy Code may be made at any time in any adversary proceeding against the Holder of any relevant Claim. The filing of a motion to extend the deadline to object to any Claims shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such motion to extend the deadline to object to Claims is denied by the Court, such deadline shall be the later of the current deadline (as previously extended, if applicable) or 30 days after the Court's entry of an order denying the motion to extend such deadline. From and after the Effective Date, the Plan Administrator shall succeed to all of the rights, defenses, offsets, and counterclaims of the Debtors and the Committee in respect of all Claims, and in that capacity shall have the power to prosecute, defend, compromise, settle, and otherwise deal with all such objections, subject to the terms of the Plan. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to estimate pursuant to § 502(c) of the Bankruptcy Code any unliquidated Medical Malpractice/Personal Injury Claims in the District Court.

(2) Settlement of Disputed Claims. Pursuant to Bankruptcy Rule 9019(b), the Plan Administrator may settle any Disputed Claim (or aggregate of Claims if held by a single Creditor), respectively, without notice, a Court hearing, or Court approval.

The Plan Administrator shall give notice to the Post Effective Date Committee of (i) a settlement of any Disputed LBMC Class 5 Claim or Komanoff Class 5 Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Disputed LBMC Class 5 Claim(s) or Komanoff Class 5 Claim(s) being Allowed in an amount in excess of $100,000, (ii) a settlement of any Disputed Administrative/Priority Claims, or (iii) settlement of any Disputed Secured Claims. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the objecting party shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice.

(3) No Distributions Pending Allowance. Notwithstanding any provision in the Plan to the contrary, no partial payments and no partial distributions shall be made by the Plan

Administrator with respect to any portion of any Claim against the Debtors if such Claim or any portion thereof is a Disputed Claim. In the event and to the extent that a Claim against the Debtors becomes an Allowed Claim after the Effective Date, the Holder of such Allowed Claim shall receive all payments and distributions to which such Holder is then entitled under the Plan.

I. Conditions to Confirmation and Effectiveness of the Plan

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

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

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

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

(d) approve the releases and injunctions granted and created by the Plan;

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

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

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

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

(b) the Plan Administrator shall have been appointed;

(c) all actions, documents and agreements necessary to implement the provisions of the Plan, and such actions, documents, and agreements shall have been effected or executed and delivered; and

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

J. Modification, Revocation or Withdrawal of the Plan

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

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

K. Injunction, Releases and Exculpation

a. **Injunction. Except as otherwise expressly provided in the Plan including, without limitation, the treatment of Claims against the Debtors, the entry of the Confirmation Order shall, provided that the Effective Date shall have occurred, operate to enjoin permanently all Persons that have held, currently hold or may hold a Claim against the Debtors, from taking any of the following actions against the Debtors, the Plan Administrator, the Committee or members thereof, the Post Effective Date Committee or members thereof, present and former directors, officers, trustees, agents, attorneys, advisors, members or employees of the Debtors and the Committee, or any of their respective successors or assigns, or any of their respective assets or properties, on account of any Claim against the Debtors: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind with respect to a Claim against the Debtors; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim against the Debtors; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim against the Debtors; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any Debt, liability or obligation due to the Debtors or their property or Assets with respect to a Claim against the Debtors; and (e) proceeding in any manner in any place whatsoever that does not conform to or comply with or is inconsistent with the provisions of the Plan; provided, however, nothing in this injunction shall preclude the Holder of a Claim against the Debtors from pursuing any applicable insurance**

after the Cases are closed, from seeking discovery in actions against third parties or from pursuing third-party insurance that does not cover Claims against the Debtors; provided further, however, nothing in this injunction shall limit the rights of a Holder of an Allowed Claim against the Debtors to enforce the terms of the Plan.

b. **Releases by Debtors. Upon the Effective Date, the Debtors conclusively, absolutely, unconditionally, irrevocably and forever release and discharge each of the Debtors' Release Parties of and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may have heretofore accrued, occurring from the beginning of time to and including the Effective Date and/or related in any way to, directly or indirectly, and/or arising out of and/or connected with, any or all of the Debtors and their Estates, the Cases, the Debtors' pre-petition financing arrangements, the Debtors' financial statements, the Debtors' debtor in possession financing facility and/or the Debtors' cessation of operations (including any such claims based on theories of alleged negligence, misrepresentation, nondisclosure or breach of fiduciary duty); *provided, however*, that nothing in Section 13.2(a) of the Plan shall (i) affect the liability of any Person due to fraud, willful misconduct, or gross negligence, as determined by a Final Order; (ii) shall operate or be a release by any Professional Persons of any Professional Fee Claims; or (iii) shall release, limit or affect the Debtors' and/or the Plan Administrators obligations under the Plan. For the avoidance of doubt, Section 13.2(a) of the Plan shall not release, limit or affect Causes of Action of the Debtors.**

c. **Releases by Holders of Claims. To the greatest extent permissible by law and except as otherwise provided in the Plan, as of the Effective Date, (i) each Holder of a Claim against the Debtors, (ii) each Person that receives and retains a distribution under the Plan, (iii) each Person who obtains a release under the Plan or obtains the benefit of an injunction provided pursuant to the Plan, and (iv) each Person who received any benefit from any third party payer, including, without limitation, governmental agencies and/or insurance providers on account of a Claim against the Debtors shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged each of the Debtors, the Committee, the Patient Care Ombudsman and their respective directors, officers, trustees, agents, attorneys, advisors, members and employees**

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

d. **Exculpation. None of (i) Garfunkel Wild, P.C., in its capacities as counsel to the Debtors or counsel to the Plan Administrator; (ii) Loeb and Trooper, in its capacity as the Debtors' auditor; (iii) the Debtors' trustees, in-house counsel, officers and directors (in their capacities as such); (iv) the Plan Administrator and her representatives (in their capacities as such); (v) the Committee and the Post Effective Date Committee; (vi) the members of the Committee and the members of the Post Effective Date Committee, in their capacities as members of the Committee and as members of the Post Effective Date Committee; (vii) Klestadt Winters Jureller Southard & Stevens, LLP, in its capacities as counsel to the Committee and as counsel to the Post Effective Date Committee; (viii) Deloitte Transactions and Business Analytics LLP, Polsky Advisors LLC, and Getzler Henrich & Associates LLC in their capacity as financial advisor to the Committee; (ix) Getzler Henrich & Associates LLC in its capacity as financial advisor to the Post Effective Date Committee; (x) Laura W. Patt in her capacity as the Patient Care Ombudsman for Komanoff; (xi) Tarter Krinsky & Drogin LLP in its capacity as counsel to the Patient Care Ombudsman; or (xii) Vernon Consulting, Inc. in its capacity as medical operations advisor to the Patient Care Ombudsman, shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Cases, the formulation, preparation, dissemination, implementation, confirmation, or approval of the Plan, the administration of the Plan or the property to be**

distributed under the Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; provided, however, that (i) nothing in Section 13.3 of the Plan shall affect the liability of any Person that would result from any such act or omission to the extent that act or omission is determined by a Final Order of the Court to have constituted willful misconduct, gross negligence or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct; and in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and shall be fully protected from liability in acting or refraining to act in accordance with such advice; (ii) nothing in Section 13.3 of the Plan shall release, limit or affect Avoidance Actions of the Debtors; and (iii) nothing in Section 13.3 of the Plan shall release, limit or affect the Debtors' and/or the Plan Administrator's obligations under the Plan.

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

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

insurance policies and proceeds thereof shall be available to Holders of Medical Malpractice/Personal Injury Claims for the purpose of satisfying Medical Malpractice/Personal Injury Claims estimated pursuant to § 502(c) of the Bankruptcy Code or in accordance with the Plan.

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

V. ACCEPTANCE AND CONFIRMATION OF THE PLAN

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

A. Acceptance of the Plan

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

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

B. Confirmation

(1) Confirmation Hearing

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

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and the Local Rules of the Court, must set forth the name of the objectant, the nature and amount of Claims held or asserted by the objectant against the Debtors'

Estates or property, the basis for the objection, the specific grounds in support thereof and, if practicable, a proposed modification to the Plan that would resolve such objection. Such objection must be filed with the Court, with a copy forwarded directly to the Chambers of the Honorable Alan S. Trust, United States Bankruptcy Court, together with proof of service thereof, and served upon (a) counsel to the Debtors, Garfunkel Wild, P.C., 111 Great Neck Road, Great Neck, New York 11021 (Attn: Burton S. Weston, Adam T. Berkowitz, and Phillip Khezri); (b) counsel to the Committee, Klestadt Winters Jureller Southard & Stevens, LLP, 200 West 41st Street, 17th Floor, New York, New York 10036 (Attn: Sean C. Southard, Fred Stevens, and Lauren C. Kiss); and (c) the Office of the United States Trustee, Alfonse D'Amato Federal Courthouse, 560 Federal Plaza, Central Islip, NY 11722 (Attn: Alfred M. Dimino), so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

(2) Statutory Requirements for Confirmation of the Plan

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

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

2. The Plan Proponents must have complied with the applicable provisions of the Bankruptcy Code.

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

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

5. The Plan Proponents have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of each of the Debtors under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and with public policy, and the Plan Proponents have disclosed the identity of any insider that the reorganized Debtors will employ or retain, and the nature of any compensation for such insider.

6. Best Interests of Creditors Test. With respect to each Class of Impaired Claims, either each holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have either been paid in full or payment in full is provided for: (i) first to secured creditors (to the extent of the value of

their collateral), (ii) next to administrative and priority creditors, (iii) next to unsecured creditors, (iv) last to debt expressly subordinated by its terms or by order of the Court. The starting point in determining whether the Plan meets the "best interests" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors' remaining assets in the context of a Chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including a Chapter 7 trustee's fees, and the fees and expenses of professionals retained by a Chapter 7 trustee. The potential Chapter 7 liquidation distribution in respect of each class must be further reduced by the costs imposed as a result of the delay that would be caused by conversion of the Cases to cases under Chapter 7. For the reasons set forth above, the Plan Proponents submit that under the Plan, all holders of Claims will receive the same or greater value to the recovery such holders would receive pursuant to a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

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

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

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

(3) Confirmation Without Acceptance by All Impaired Classes

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

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

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

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

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

The following discussion summarizes certain of the material U.S. federal income tax consequences expected to result from the implementation of the Plan. The following summary does not address the U.S. federal income tax consequences to holders whose claims are entitled to payment in full in Cash under the Plan (e.g., holders of Allowed Administrative Claims, Priority Tax Claims, Professional Fee Claims or other Claims paid in full). This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service ("IRS"). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought. Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to, among others, the Debtors and the holders of Claims.

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

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

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

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

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

B. U.S. Federal Income Tax Consequences to Holders of LBMC Class 5 and Komanoff Class 5 Claims.

(1) Gain or Loss Recognized. Except with respect to a Claim (or portion thereof) for accrued but unpaid interest (discussed below) or certain Medical Malpractice/Personal Injury Claims (discussed below), for U.S. federal income tax purposes, each holder of an Allowed Claim generally should recognize gain or loss as a result of receiving a Distribution pursuant to the Plan equal to the difference between (i) the amount of Cash received by such holder and (ii) the adjusted tax basis of such holder's Allowed Claim. The amount and timing of such gain or loss, as well as the character of any gain or loss as long-term or short-term capital gain or loss or ordinary income or loss will depend on a number of factors that should be addressed with your own tax advisor.

Distributions, if any, received by a holder of a Medical Malpractice/Personal Injury Claim that are attributable to, and compensation for, such holder's personal injuries or sickness, within the meaning of § 104 of the IRC, generally should be nontaxable. You should, nonetheless, address the potential tax implications with your own tax advisor.

(2) Receipt of Interest.

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

capital loss if the underlying obligation is a capital asset. Again, you should address all potential tax implications with your own tax advisor.

C. Withholding and Reporting

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

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

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

VII. RISK FACTORS

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

A. Certain Bankruptcy Related Considerations

(1) Risk of Non-Confirmation of the Plan

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

(2) Nonconsensual Confirmation

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

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

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

(4) Claims Objection/Reconciliation Process

The Plan Proponents' estimate of the potential recovery to holders of LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims depends on the outcome of the claims reconciliation and objection process. Thus, there is no guarantee that the actual recovery to holders of LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims will approximate the Plan Proponents' estimates and any such difference could be material.

(5) Risks Related to FEMA Claims

The Debtors continue to have discussions with the representatives of the NYS FEMA Match Program regarding payments under the terms NYS FEMA Match Program. The availability and timing of such payments are contingent on, among other things, the satisfactory completion of an A133 audit, the repayment of overpayments, if any, and possibly satisfying the statutory requirement of paying FEMA Claims before receiving reimbursement from the NYS FEMA Match Program.

(6) Risk Related to Former Employee Claims

In connection with the promulgation and negotiation of the Plan, 1199 raised certain concerns regarding the use of the Petition Date for the purpose of calculating priority entitlement under § 507(a)(4) of the Bankruptcy Code. The Debtors maintain that while the Debtors suffered tremendous losses as a result of Superstorm Sandy, LBMC never ceased operating as a health care provider and, accordingly, the Petition Date is the relevant date to use in calculating priority entitlement under § 507(a)(4) of the Bankruptcy Code. The Debtors and 1199 are currently engaged in discussions and anticipate consensual resolution of the matter. However, there can be no assurance that such result will be achieved. Moreover, in the absence of a consensual

resolution, the outcome of any litigation is uncertain and can potentially impact the confirmability of the Plan as it relates to LBMC's estate.

(7) Risk of No Resolution with Respect to the Komanoff Share of the Universal Distribution

As set forth in Section III.M above, MLAP asserts rights to all or a portion of the Komanoff Share. The State is currently holding the distributable portion of the Komanoff Share pending a determination as to the rightful owner of such funds. The Debtors continue to work with MLAP in an attempt to reach a consensual resolution, however, there can be assurance that such a resolution will be achieved. Moreover, in the absence of a consensual resolution, the outcome of any litigation is uncertain.

VIII. RESERVATION OF CAUSES OF ACTION OF THE DEBTORS

In accordance with § 1123(b)(3)(B) of the Bankruptcy Code, the Plan Administrator may act on behalf of the Debtors in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), pending or that can be commenced in the Court and in all actions and proceedings pending or commenced elsewhere, and to settle, retain, enforce, or dispute any adversary proceedings or contested matters (including, without limitation, any Causes of Action) and otherwise pursue actions involving assets of the Debtors that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise specifically waived or relinquished in the Plan, *provided, however,* that settlements by the Plan Administrator of Causes of Action shall be subject to the approval of the Post Effective Date Committee. The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of a Cause of Action. The Post Effective Date Committee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the Post Effective Date Committee shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice of hearing or Court approval.

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

IX. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION

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

A. Alternative Plans

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

B. Chapter 7 Liquidation

As discussed above, with respect to each Class of Impaired Claims, either each holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. The Plan Proponents believe that significant costs would be incurred by the Debtors as a result of the delay that would be caused by conversion of the Cases to cases under Chapter 7, resulting in a reduced distribution to holders of LBMC Class 5, LBMC Class 6, Komanoff Class 5, and Komanoff Class 6 Claims.

X. RECOMMENDATION AND CONCLUSION

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

[SIGNATURE PAGE FOLLOWS]

Date: ~~May 17~~**June 26**, 2017
Long Beach, New York

Long Beach Medical Center, *et al.*
Debtors and Debtors-In-Possession

By:/s/ Douglas Melzer
Douglas Melzer
President

GARFUNKEL WILD, P.C.
Counsel for the Debtors and Debtors in Possession
Burton S. Weston, Esq.
Adam T. Berkowitz, Esq.
Phillip Khezri, Esq.
111 Great Neck Road
Great Neck, NY 11021
Telephone No. (516) 393-2200
Facsimile No. (516) 466-5964