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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 11**
ST. FRANCIS' HOSPITAL, POUGHKEEPSIE, NEW YORK, *et al.*,[1]	**Case No. 13-37725 (CGM)**
Debtors.	**(Jointly Administered)**

FIRST AMENDED DISCLOSURE STATEMENT FOR DEBTORS' FIRST AMENDED PLAN UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED MARCH 19, 2014

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE.

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtors' federal tax identification number include: St. Francis' Hospital, Poughkeepsie, New York (8503), Saint Francis Home Care Services Corporation (3842), SFH Ventures, Inc. (0024), Saint Francis Health Care Foundation, Inc. (5066), and Saint Francis Hospital Preschool Program (1079).

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IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement provides information regarding the Debtors' Plan Under Chapter 11 of the Bankruptcy Code, dated February 24, 2014 (as may be amended and supplemented from time to time according to its terms, the "Plan"). A copy of the Plan is attached as **Exhibit A**.

References to the "Plan" are to the Plan attached as **Exhibit A** hereto. All capitalized terms used but not otherwise defined herein, including in any exhibits attached hereto, shall have the meaning ascribed to them in the Plan.

Unless the context requires otherwise, reference to the "Company", "we", "our", and "us" are to Saint Francis and its Debtor affiliates.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein, and the delivery of this Disclosure Statement shall not create an implication that there has been no change in information stated since the date hereof.

The Debtors believe that the Plan will enable them to successfully complete the liquidation of Assets and distribution of proceeds from the sale of substantially all of their operating Assets as described more fully below. The Debtors believe that acceptance of the Plan is in the best interests of the Debtors, their Chapter 11 Estates, and their Creditors.

THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

ALL CREDITORS AND INTEREST HOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, EXHIBITS ANNEXED TO THE PLAN, THE PLAN SUPPLEMENTS, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. THE DEBTORS ARE THE PROPONENTS OF THE PLAN. THE PLAN PROVIDES FOR THE PROPOSED METHOD OF DISTRIBUTION OF PROCEEDS FROM THE SALE OF THE PURCHASED ASSETS, THE LIQUIDATION OF THE REMAINING ASSETS OF THE DEBTORS AND THE DISTRIBUTIONS CREDITORS OF THE DEBTORS WOULD RECEIVE IN THE DEBTORS' CHAPTER 11 CASES.

NO PERSON MAY GIVE ANY INFORMATION ON BEHALF OF THE DEBTORS REGARDING THE PLAN OF LIQUIDATION OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN, OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS DESIGNED TO PROVIDE ADEQUATE INFORMATION TO ENABLE HOLDERS OF CLAIMS AGAINST THE DEBTORS TO MAKE AN INFORMED JUDGMENT ON WHETHER TO ACCEPT OR REJECT THE PLAN. ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN (WHICH IS ANNEXED HERETO AS EXHIBIT A), OTHER EXHIBITS ANNEXED HERETO AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE BANKRUPTCY COURT PRIOR TO THE END OF THE SOLICITATION PERIOD FOR THE PLAN. NO MATERIALS OTHER THAN THE ACCOMPANYING MATERIALS ATTACHED HERETO OR REFERENCED HEREIN HAVE BEEN APPROVED BY THE BANKRUPTCY COURT OR THE DEBTORS FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN. SUBSEQUENT TO THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT: (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN REMAIN MATERIALLY ACCURATE, AND (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THE DEBTORS HAVE PROPOSED THE PLAN AND THE COMMITTEE SUPPORTS THE PLAN AND THUS THE DEBTORS URGE ALL HOLDERS OF IMPAIRED CLAIMS IN CLASS 2 AND CLASS 5 TO VOTE TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS SO THAT THE BALLOTS ARE RECEIVED BY 4:00 P.M. (EASTERN TIME) ON APRIL 23, 2014, AT:

BMC Group, Inc.
Attn: St. Francis' Hospital Ballot Processing
PO Box 3020
Chanhassen, MN 55317-3020

IF SENT BY MAIL,

OR, IF DELIVERED BY HAND OR OVERNIGHT COURIER, AT

BMC Group, Inc.
Attn: St. Francis' Hospital Ballot Processing
18675 Lake Drive East
Chanhassen, MN 55317

ADDITIONAL INFORMATION REGARDING VOTING PROCEDURES, INCLUDING REFERENCE TO SPECIFIC VOTING PROCEDURES THAT MAY APPLY TO CLASS 2 CLAIMS, ARE SET FORTH HEREIN.

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, AND SHOULD BE AWARE THAT ACTUAL DISTRIBUTIONS MAY VARY FROM THE ESTIMATES CONTAINED HEREIN.

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

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), OR ANY SIMILAR PUBLIC GOVERNMENTAL OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT, THE INFORMATION CONTAINED HEREIN, OR THE MERITS OF THE PLAN.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN SUMMARY CONTAINED HEREIN AND THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS BASED PRIMARILY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL

TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS AND REORGANIZED DEBTORS. IN PARTICULAR, STATEMENTS USING WORDS SUCH AS "BELIEVE," "MAY," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER ARTICLE XII. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. CONSEQUENTLY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN SHOULD NOT BE REGARDED AS REPRESENTATIONS BY ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ADVISORS, OR ANY OTHER PERSON THAT THE PROJECTED FINANCIAL CONDITIONS OR RESULTS OF THE DISPOSITION OF ASSETS CAN OR WILL BE ACHIEVED. EXCEPT AS OTHERWISE REQUIRED BY LAW, NEITHER THE DEBTORS NOR REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE FOLLOWING APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT.

EXCEPT AS OTHERWISE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT NECESSARILY BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY OR ENTITY. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS. THIS DISCLOSURE SHALL BE CONSIDERED TO BE A SETTLEMENT DOCUMENT PURSUANT TO FEDERAL RULE OF EVIDENCE 408.

ALL CAPITALIZED TERMS AND PHRASES USED IN THIS DISCLOSURE STATEMENT AND NOT OTHERWISE DEFINED HEREIN WILL HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN OR THE BANKRUPTCY CODE.

I. INTRODUCTION

St .Francis' Hospital, Poughkeepsie, New York ("Saint Francis") and its affiliated Debtors and Debtors-in possession (collectively, the "Debtors"[2]) in the jointly-administered Chapter 11 cases numbered 13-37725 (CGM) (the "Chapter 11 Cases") pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (as amended, the "Bankruptcy Code"), filed the Plan. The Debtors are distributing this disclosure statement (the "Disclosure Statement"), pursuant to section 1125 of the Bankruptcy Code, to provide the Debtors' Creditors with adequate information so that they can make an informed judgment on whether to vote to accept or reject the Plan. Please read this Disclosure Statement and the Plan carefully and follow the instructions set forth below to vote on the Plan.

A. Explanation of Chapter 11.

Chapter 11 is the principal business reorganization Chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize or sell its business for the benefit of itself, its creditors and equity holders. In addition to permitting rehabilitation of a debtor (or permitting the debtor to continue operating in anticipation of an asset sale), another goal of Chapter 11 is to promote equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession." Upon filing a petition for Chapter 11 relief and during the pendency of a case, the Bankruptcy Code imposes an automatic stay against creditors' attempts to collect or enforce, through litigation or otherwise, claims against the debtor. The automatic stay provisions of section 362 of the Bankruptcy Code, unless modified by court order, will generally prohibit or restrict attempts by creditors to collect or enforce any claims that arose prior to the commencement of the Chapter 11 case against the debtor.

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors in a Chapter 11 case to represent the interests of creditors in the case. On December 23, 2013, the United States Trustee appointed the Official Committee of Unsecured Creditors in these proceedings (the "Committee").

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[2] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number include: St. Francis' Hospital, Poughkeepsie, New York (8503), Saint Francis Home Care Services Corporation (3842), SFH Ventures, Inc. (0024), Saint Francis Health Care Foundation, Inc. (5066), and Saint Francis Hospital Preschool Program (1079).

The consummation of a plan is the principal objective of a Chapter 11 case. A plan sets forth, among other things, the treatment of, and means for satisfying, claims against and equity interests in the debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor.

A Chapter 11 plan is the vehicle for satisfying or otherwise addressing the claims against and interests in a debtor. After a plan has been filed, the holders of claims against or equity interests in a debtor that are impaired and entitled to receive distributions under the plan are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement to satisfy the requirements of section 1125 of the Bankruptcy Code.

B. Preliminary Statement and Summary of Recoveries.

On December 17, 2013 (the "Petition Date"), the Debtors each filed their respective voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors continue in the management and possession of their property as Debtors in Possession; no trustee or examiner has been appointed for the Debtors.

The Plan is predicated on the Debtors' sale of substantially all of their Assets other than Excluded Assets as described more fully below. Pursuant to this process, the Plan will be implemented through the Asset Sale, through which the Debtors will sell the Purchased Assets, and the Debtors will make distributions from proceeds, Excluded Assets and other sources as set forth in the Plan.

Under the sale implemented through the Plan as well as the resolution of certain Claims, the Plan contemplates the payment in full in Cash of all Administrative Claims, Fee Claims, U.S. Trustee Fees, and priority Claims against the Debtors (subject to permitted installment payments for certain Priority Tax Claims), unless the holders of such Claims agree otherwise to less favorable treatment.

The primary objectives of the Plan are: (i) to provide a mechanism for distribution of the Asset Sale proceeds; (ii) completing the liquidation of the Debtors' remaining Excluded Assets after such sale, including, for example, Receivables and Causes of Action held by, or in favor of, the Debtors; (iii) reconciling and fixing the Claims asserted against the Debtors; and (iv) distributing the net liquidation proceeds in conformity with the distribution scheme provided by the Bankruptcy Code. As described below, a substantial portion of the Debtors' Assets are to be sold to Westchester Country Health Care Corporation (or its designee) ("WMC") pursuant to the Order of the Bankruptcy Court entered on February 24, 2014 (the "Sale Order"). Certain Asset of the Debtors will be excluded from the Asset Sale, including, but not limited to the Receivables and the other Excluded Assets set forth on **Exhibit B**. As further described below, based upon a settlement reached with the Bond Trustee, certain funds otherwise subject to the

Bond Trustee's liens and Claims will be made available to Creditors to provide Plan funding in the Chapter 11 Cases.

Subsequent to the sale, the Debtors shall cease operations as a healthcare provider (such services thereafter to be provided by WMC) and the Debtors shall sell or otherwise dispose of their remaining Assets and wind down their affairs. Because the Plan is a plan of liquidation, pursuant to section 1141(d)(3) of the Bankruptcy Code, the Debtors will not receive a discharge, and will not engage in business after a final decree has been entered and their Chapter 11 Cases are closed. All Interests in the Debtors, if any, will be canceled and, because the Allowed Claims of general unsecured Creditors will not be paid in full due to insufficient funds, no distributions will be made under the Plan on account of any such Interests in the Debtors.

The table below summarizes the treatment for Creditors and holders of Interests under the Plan. For a complete explanation, please refer to the discussion in **Article IV, Section A** of this Disclosure Statement, entitled "Summary of Classification and Treatment of Claims Under the Plan" and to the Plan itself.

Class	**Description**	**Treatment if Claim Allowed**	**Estimated Recovery if Claim Allowed**
Unclassified	Administrative Claims		100%
Unclassified	Priority Tax Claims		100%
Class 1	Secured Tax Claims	Unimpaired	100%
Class 2	Bond Claim	Impaired	Approximately 93% to 95%
Class 3	Secured Claims	Unimpaired	100%
Class 4	Unsecured Priority Claims	Unimpaired	100%
Class 5	General Unsecured Claims	Impaired	12% to 40%[3]
Class 6	Subordinated Claims	Impaired	0%
Class 7	Interests in Debtors	Impaired	0%

The Debtors have approved the Plan and the transactions contemplated thereby and recommend that all Creditors whose votes are being solicited submit ballots to accept the Plan.

The Plan provides for substantive consolidation of the Debtors, solely for purposes of describing their treatment under the Plan, confirmation of the Plan, and making

[3] These estimates are based upon the Debtors' records and upon review of claims filed as of the date of this Disclosure Statement. All claims have not yet been reconciled. Accordingly, the final distributions may vary from these estimates.

distributions under the Plan. The decision to consolidate the Debtors was made after considering the various factors weighing both in favor of and against substantive consolidation. The Debtors concluded that they would likely face complex, time-consuming, and uncertain litigation if the issue of substantive consolidation was not resolved through the Plan, and that the cost of such litigation could pose a material risk to the Debtors' plan efforts and all Creditor recoveries.

Moreover, the Debtors determined that the consolidation proposed in the Plan is consistent with applicable law because it does not harm Creditors. The majority of the Assets of the Debtors' Estates reside at Saint Francis, with the other Debtor subsidiaries having little to no Assets available for distribution to Creditors. In addition, the majority of Claims asserted against the Debtors are asserted against Saint Francis, with generally *de minimis* Claims asserted against the other Debtors. In light of the location of Claims and Assets, the consolidation proposed in the Plan confers the benefits of convenience and expediency without compromising Creditor recoveries at any Debtor. Under the Plan, each holder of an Allowed Claim will receive, on account of its Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that it would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Accordingly, based upon the Debtors' analysis, no Creditors are harmed by the proposed consolidation of the Debtors for distribution purposes under the Plan.

To show that substantive consolidation is warranted in the Bankruptcy Court, a party must generally demonstrate one of the following: (i) that creditors dealt with the entities as a single economic unit and did not rely on their separate identities in extending credit; or (ii) that the operational and financial affairs of the entities are so entangled that the accurate identification and allocation of assets and liabilities would be impossible or prohibitively expensive. See Union Sav. Bank v. Augie/Restivo Banking Co. (In re Augie/Restivo Baking Co.), 860 F.2d 515, 518 (2d Cir. 1988). The Debtors believe that substantive consolidation is warranted and appropriate here. First, the majority of the Debtors creditors, as a matter of course, provided goods and services to, and were paid by, Saint Francis directly, notwithstanding which Debtor entity used such goods and services. Moreover, most of the Debtors' employees and contract obligations belonged to Saint Francis directly and the Debtors were run as a consolidated organization. As demonstrated by the Debtors' schedules and statements the majority of the Debtors' Assets and liabilities were centrally held, maintained and managed by Saint Francis on account of its affiliated Debtors. Moreover, the Debtors' financial reporting has traditionally been done on a consolidated basis as all the assets and liabilities of the Debtors were viewed by the Debtors' management and its creditors as a single operating entity. Finally, as a result of the failed implementation of the software systems, it would be cost prohibitive, if not impossible, to accurately identify which Debtor used or should have paid for goods and services it received.

C. Who is Entitled to Vote on the Plan.

Only Impaired Classes receiving a distribution under the Plan are entitled to vote on the Plan. As such, Claims in Classes 2 and 5 are Impaired, and the holders of Claims in those Classes are entitled to vote on the Plan. Holders of Subordinated Claims (Class 6 Claims) and Class 7 (Interest in Debtors) are not entitled to vote because no distributions will be paid under the Plan on account of such Claims and Interests and therefore those holders are deemed to have rejected the Plan.

D. Definitions; Certain Exhibits.

1. Definitions. Unless otherwise defined herein, capitalized terms used in this Disclosure Statement will be defined as set forth in the Plan or as defined in the Bankruptcy Code.

2. Certain Exhibits. A copy of a liquidation analysis is attached hereto as **Exhibit C**. A non-exhaustive list setting forth persons or entities that received payments during the 90 days prior to the Petition Date that the Plan Administrator may seek to recover under section 547 of the Bankruptcy Code or otherwise is attached hereto as **Exhibit D**. Exhibit D also includes a non-exhaustive list setting forth insiders of the Debtors who received payments during the one year prior to the Petition Date that the Plan Administrator may seek to recover under section 547 of the Bankruptcy Code or otherwise. The fact that a party is listed on **Exhibit D** as having received a payment in the 90 days or one year prior to the Petition Date does not mean that the Plan Administrator will seek to recover payments made to such party or that any determination has been made that such payments were preferential. In the event that the Plan Administrator determines to pursue recovery of any payment made in the 90 days or one year prior to the Petition Date, any party that received such payment may have rights and defenses which would prevent recovery of such payments by the Plan Administrator and no such rights or defenses are impacted by the Plan except as provided for in Section 5.10 of the Plan. In reviewing this Disclosure Statement and the Plan, and in determining whether to vote for or against the Plan, Creditors (including parties who received payments or transfers from the Debtors within 90 days prior to the Petition Date and insiders who received payments or transfers from the Debtors within one year before the Petition Date) and other parties should consider that Causes of Action of the Debtors may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtors, and that the Plan authorizes the Plan Administrator to prosecute same. Pursuant to the Initial Plan Supplement, a compilation of documents and forms of documents, schedules, and exhibits to the Plan will be filed not less than seven (7) days prior to the date on which a hearing on this Disclosure Statement is commenced, and such documents shall among other things, identify the proposed Plan Administrator and include the form of the principal documents evidencing and securing the New Hospital Bonds, and related documents as necessary to implement the terms of the Plan. Further not later than seven (7) days before the Confirmation Hearing, the forms of documents relating to the Exit Facility and the Services Agreement and related documents necessary to implement the Plan will be filed with the Bankruptcy Court.

E. Notice to Creditors.

1. Purpose of Disclosure Statement. This Disclosure Statement is being transmitted to, among others, holders of Impaired Claims against the Debtors that are entitled to vote to accept or reject the Plan (Class 2 – Bond Claims and Class 5 – General Unsecured Claims). Holders of unimpaired Claims shall receive a Confirmation Hearing Notice and a Notice of Non-Voting Status, substantially in the form annexed to the Disclosure Statement Order as Exhibit D (the "Notice of Unimpaired Non-Voting Status"), which identifies each such class as unimpaired and provides information to such holders of unimpaired Claims as to how a copy of the Plan and Disclosure Statement may be obtained. Holders of Claims and Interests in the Impaired Non-Voting Classes shall receive a Confirmation Hearing Notice and a Notice of

Non-Voting Status (the "Notice of Impaired Non-Voting Status"), substantially in the form annexed to the Disclosure Statement Order as Exhibit E, which informs the holder of any claims or interests in such Impaired Non-Voting Classes that it will receive no recovery under the Plan, is not entitled to vote, and therefore, is deemed to have rejected the Plan. The Notice of Impaired Non-Voting Status also sets forth the manner in which the holder of claims or interests in such classes may obtain a copy of the Plan and Disclosure Statement.

The purpose of this Disclosure Statement is to provide Creditors with information that (i) summarizes the Plan and alternatives to the Plan, (ii) advises Creditors of their rights under the Plan, (iii) assists Creditors entitled to vote in making informed decisions as to whether they should vote to accept or reject the Plan, and (iv) assists the Bankruptcy Court in determining whether the Plan complies with the provisions of Chapter 11 of the Bankruptcy Code and should be confirmed. This Disclosure Statement contains important information regarding (A) the Debtors' history, (B) developments in these Chapter 11 Cases, (C) the Plan, including a summary and analysis thereof, and (D) considerations pertinent to acceptance or rejection of the Plan. This Disclosure Statement is designed to provide holders of Impaired Claims that are entitled to vote to accept or reject the Plan with adequate information to enable such holders to make a reasonably informed decision with respect to the Plan prior to exercising the right to vote to accept or reject the Plan. All Creditors are encouraged to read this Disclosure Statement and its exhibits carefully and in their entirety before deciding to vote either to accept or reject the Plan.

2. Information Contained in this Disclosure Statement. This Disclosure Statement is the only document authorized by the Bankruptcy Court to be used in connection with the solicitation of votes accepting the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement, and no Person has been authorized by the Bankruptcy Court or the Debtors to use or disclose any information concerning the Debtors other than the information contained herein. Other than as explicitly set forth in this Disclosure Statement, you should not rely upon any information relating to the Debtors, their Estates, the value of their Assets, the nature or amounts of their liabilities, their Creditors' Claims, or the amount or value of any distributions made under the Plan. All financial information and historical information contained in this Disclosure Statement has been provided by the Debtors. This Disclosure Statement is accurate to the best of the Debtors' knowledge, information and belief. The Debtors have endeavored to make this Disclosure Statement as clear and comprehensive as possible in order to furnish Creditors with adequate information to make an informed decision regarding acceptance or rejection of the Plan.

PLEASE READ THIS DISCLOSURE STATEMENT, INCLUDING THE PLAN, IN ITS ENTIRETY PRIOR TO VOTING ON THE PLAN. A COPY OF THE PLAN IS ANNEXED HERETO AS EXHIBIT A. THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, FOR THE CONVENIENCE OF CREDITORS, BUT THE PLAN ITSELF QUALIFIES ALL SUCH SUMMARIES. ACCORDINGLY, IF THERE EXISTS ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN WILL CONTROL.

F. Disclosure Statement Enclosures.

Accompanying this Disclosure Statement are the following enclosures:

1. Disclosure Statement Approval Order. A copy of the Order of the Bankruptcy Court dated **[_____ __,** 2014**]**, approving this Disclosure Statement and, among other things, establishing procedures for voting on the Plan, and scheduling the hearing to consider, and the deadline for objecting to, confirmation of the Plan (the "Disclosure Statement Approval Order").

2. Notice of Confirmation Hearing. A copy of the notice of the deadline for submitting ballots to accept or reject the Plan and, among other things, the date, time and place of the hearing to confirm the Plan, and the deadline for filing objections to confirmation of the Plan (the "Notice of Confirmation Hearing").

3. Ballots. One or more ballots (and return envelopes) for voting to accept or reject the Plan, unless you are not entitled to vote. See **Article XI** below for an explanation of which parties-in-interest are entitled to vote.

G. Summary of Voting Procedures.

1. Vote Solicitation and Deadline. To be counted, your vote must be received, pursuant to the following instructions, by the Debtors' voting agent at the following address, before 4:00 p.m. (Eastern Time) **April 23, 2014** (the "Voting Deadline"):

If mailed	*If sent by hand delivery or overnight courier*
BMC Group, Inc. **Attn: St. Francis' Hospital Ballot Processing** **PO Box 3020** **Chanhassen, MN 55317-3020**	**BMC Group, Inc.** **Attn: St. Francis' Hospital Ballot Processing** **18675 Lake Drive East** **Chanhassen, MN 55317**

PLEASE NOTE THAT HOLDERS OF CLASS 2 BOND CLAIMS SHOULD REVIEW THE BALLOT FOR VOTING INSTRUCTIONS SPECIFIC TO SUCH CLAIMS.

IF YOU HOLD A CLAIM ENTITLED TO VOTE:

Please complete the information requested on the applicable Ballot; sign, date and indicate your vote on the Ballot; and return the completed Ballot in the enclosed pre-addressed, postage-paid envelope so that it is actually received by the voting agent before the Voting Deadline. As noted above, holders of Class 2 Bond Claims will receive specific voting instructions that may provide alternative procedures.

DO NOT RETURN YOUR DEBT INSTRUMENTS, NOTES, CERTIFICATES OR ANY EQUITY SECURITIES THAT YOU MAY HAVE WITH YOUR BALLOT(S).

IF YOU ARE A HOLDER OF A CLAIM ENTITLED TO VOTE AND YOU HAVE RETURNED YOUR BALLOT, BUT FAILED TO INDICATE ON YOUR BALLOT WHETHER YOU ACCEPT OR REJECT THE PLAN, SUCH BALLOT WILL BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

2. Acceptance of the Plan. Under the Bankruptcy Code, an impaired class of claims entitled to vote has accepted a plan, if, of those voting, the holders of two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of claims accept.

3. Hearing on Confirmation of Plan. The Bankruptcy Court has scheduled a hearing to consider confirmation (*i.e.*, approval) of the Plan on **April 30, 2014 at 11:00 a.m.** (Eastern Time) (the "Confirmation Hearing"), in the United States Bankruptcy Court, Southern District of New York, Poughkeepsie, New York. The Confirmation Hearing may be adjourned from time to time without further notice other than by announcement in the Bankruptcy Court on the scheduled hearing date or upon the Debtors filing a notice of adjournment.

II. GENERAL INFORMATION ABOUT THE DEBTORS

A. The History of the Debtors.

On February 17, 1914 Saint Francis Hospital accepted its first official patient. With only five dollars and the assistance of Catholic Women's organizations that made the linens, they began a 100 year history of commitment to the health needs of the Hudson Valley.

Throughout its history, Saint Francis has strived to serve its community. For example, in 1918 an influenza epidemic brought hundreds of patients to Saint Francis. As many as 300 people were treated without charge that year.

This mission lead to Saint Francis' rapid success and expansion, making it a pillar in the community. In 1921, Saint Francis expanded its facility by adding three large operating rooms, one of which was dedicated to eye, ear, nose, and throat surgery; private and semiprivate rooms; a 12-bed men's ward; and a 12-bed women's ward. In 1924, the new Roosevelt main building was opened, replacing the original mansion and providing 60 beds for patients. Twenty-seven years later, in 1951, the Oakleigh T. Thorne and Joseph T. Towers Wings were dedicated, more than doubling the size of the hospital. In 1959, the Spellman Pavilion was added. Expansion continued at the hospital with the 1977 dedication of the Neumann Wing, followed by the 1982 construction of the Cooke Pavilion.

In 1985, Saint Francis acquired the former Highland Hospital in Beacon which served as The Turning Point, a 100-bed inpatient and outpatient alcohol and chemical dependency treatment center (which is now located in Poughkeepsie at 241 North Road). The Beacon campus currently serves as a home to the Panichi Family Center for Communication and Learning that houses the Debtors' Special Needs Preschool Program.

Home Care Services was added in 1987 and the following year, the hospital established a Day Care Program in the Convent that eventually expanded to a second, larger site in Spackenkill, New York.

In 1990, what was then a state-of-the-art 3-dimensional, high-speed helical CAT Scan system was acquired, and the hospital became the first in the area to own and operate its own MRI unit. In 1991, the hospital opened the Sleep Disorders Lab, which in 2003 received a 5 year accreditation and designation as a Sleep Center by the American Academy of Sleep Medicine.

In 1992, Saint Francis Hospital adopted a "CREST of Values" to serve as the guiding principles for each individual who shares in our mission. Each member of the Saint Francis team works individually and collaboratively to make our values of Creativity (which was subsequently changed to Compassionate Care in order to reflect the hospital's Catholic roots), Respect, Excellence, Service and Teamwork present in dealings with each other and those we are privileged to serve.

To recognize its work as a leader in Orthopedics, the Hospital established the Orthopedic Center of Excellence in 1993, and today offers the only fully-dedicated Joint Replacement Center in the region. Also in 1993, Saint Francis Hospital was designated as the Area Trauma Center by the New York State Department of Health. It was recognized as the busiest Level II Trauma Center in New York State in 2004.

In 1995, a $5 million capital drive was undertaken to expand trauma and emergency facilities - creating the George T. Whalen Family Trauma Center - and to upgrade patient monitoring systems in the Emergency Room and Operating Room. Additionally, the Endoscopy Suite and Same Day Surgery Center were added, the latter of which would be named for legendary philanthropist James J. McCann.

Responding to requests from physicians who wanted to locate their offices close to the hospital, the Medical Office Building at 243 North Road opened in 1998. Two years later The Atrium at Saint Francis Hospital – a 150,000 sq. ft. facility – opened featuring a new state-of-the-art ambulatory surgery center, diagnostic imaging center, community conference center, cafeteria, and private physician offices.

The Saint Francis Hospital Cancer Center opened in 2002, followed by the dedication of the Fr. Brinn Center for Psychiatric Care in the Emergency Care Center in 2003.

Now, as in 1913 when five Sister foundresses responded to Community needs, the Sisters of Saint Francis continue to be present and look forward with the entire Saint Francis team to upholding this noble legacy as the Debtors approach one century of service.

The Debtors serve more than 125,000 patients annually (excluding added homecare patients) and employ approximately 2,000 full and part-time employees. In 2012, the Debtors serviced approximately 8,000 inpatient discharges, 32,000 emergency room visits, 38,000 home care visits, and 150,000 outpatient visits. The hospital has 333 beds and the capability to serve patients with various physical and mental health issues. In 2012, the Debtors had gross revenues of almost $150 million and an operating loss of approximately $7.7 million.

B. The Businesses of the Debtors.

From their state-of-the-art Center for Robotic Surgery to the healing hands of our physical and occupational therapists at the Therapy Connection, Saint Francis features the latest healing techniques and technology delivered by the most caring and compassionate staff in the world.

The Debtors provide a wide array of medical service to their community, including:

> Emergency Treatment: The Debtors are the home to the area's only Level II Trauma center that provides lifesaving care to severely injured patients. Over 9,000 trauma victims are cared for annually, making Saint Francis' Level II Trauma center the busiest Level II Trauma Center in New York State.
>
> Mental Health and Addiction Services: The Debtors are the region's recognized leader in providing mental health services. In addition, the Turning Point at Saint Francis is a comprehensive not-for-profit chemical dependency treatment program that provides inpatient medically-managed detoxification from alcohol and all other types of substances, inpatient and outpatient rehabilitation, and a variety of specialized intensive outpatient programs, outpatient counseling, and support groups.
>
> Robotic Surgery: The Center for Robotic Surgery offers patients an array of minimally-invasive surgical approaches through the use of the da Vinci surgical system. Robotic surgery is available for patients undergoing a wide variety of thoracic, urological, gynecological and oncological procedures.
>
> Physical and Occupational Therapy: The Debtors' Physical and Occupational Therapy program treats a whole spectrum of diagnosis, including: neck pain, back pain, knee pain, foot and ankle pain, hand and wrist pain, shoulder pain, pre-surgical and post-surgical therapy needs, auto accidents and sports injuries, fractures, dizziness/light-headedness, balance problems, weakness, cancer related problems and stroke.
>
> Cancer Treatment: The Herb & Sue Ann Redl Center for Cancer Care offers advanced treatments for all major cancers including breast, lung, colon, and other digestive tract, prostate, bladder, lymphoma and melanoma.
>
> Home Care: The Debtors provide home health services, including nursing care, physical therapy, occupational therapy and speech therapy to patients in the comfort of their homes.

Saint Francis' dedication to excellence has resulted in recognitions it is extremely proud of including:

- The Center for Diabetes Management received a 4-year extension of its accreditation by the American Diabetes Association.
- The Inpatient Rehabilitation program was awarded a 3-year accreditation by the Commission on Accreditation of Rehabilitation Facilities.
- Professional Radiology Oncology Services (PROS) at Saint Francis Hospital was awarded full accreditation status by the American College of Radiation Oncology.
- The Hudson Valley Renegades honored some of those who helped save the life of an 11-year-old boy who collapsed while playing a Little League Baseball game. Among those introduced on the field prior to the start of the Aug. 4 game were Drs. Zubair Zoha and Steven Ritter, Emergency Department Nurse Manager Bridget Romani and Nurses Stacy Fell and Sarah Ogasian.
- The Cancer Center was awarded a 3-year accreditation by the National Accreditation Program for Breast Centers administered by the American College of Surgeons.
- Saint Francis Home Care Service, Inc. was named among the nation's top 25 percent "Elite" home care agencies by Outcome Concept Systems and Decision Health.
- The hospital's annual Caregiver Conference was named one of 33 finalists for a national charitable organization's award.
- The hospital's community relations department was honored with two national Aster Awards for a radio commercial and TV commercial, and with a Silver Telly Award for "The Best is Yet to Come," a 4-minute information video about the hospital. The Telly Awards, presented in Silver and Bronze categories, recognize outstanding local, regional and cable TV commercials and programs.
- Saint Francis Hospital and Health Centers was a winner of a $200,000 New York State Department of Health Patient Safety Award.

C. Capital Structure.

1. The 2004 Bonds

In 2004, the Dutchess County Industrial Development Agency (the "Issuer") issued two series of Civic Facility Revenue Bonds (the "2004 Bonds"). The Series A 2004 Bonds, in the aggregate principal amount of $19.275 million, were issued to repay outstanding bond debt that was issued by the Issuer in 1993 and 1999. The Series B 2004 Bonds, in the aggregate principal amount of $8.76 million, were issued in order to allow the Debtors to: undertake certain capital improvement construction projects including: construction, furnishing, and equipping 11,450 square feet of lab space; constructing, furnishing and equipping 7,070 square feet of emergency and trauma space, including 4,320 square feet for psychiatric patients; renovating 15 patient rooms in the Critical Care Unit, including the central nursing station; renovating 10 patient rooms in the mental health unit, including bathrooms; acquiring imaging equipment; and fund general repair and maintenance of the Debtors' campus. The Series A 2004 Bonds are due and payable on March 1, 2029 and accrue interest at an annual rate of 7.500%,

based on a 360-day year. The Series B 2004 Bonds are due and payable on March 1, 2019 and March 1, 2029 and accrue interest at an annual rate of 7.25% and 7.500% respectively, based on a 360-day year.

The 2004 Bonds were issued pursuant to a certain Indenture of Trust dated of March 1, 2004 (the "2004 Indenture") by and between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the "Bond Trustee").

In connection with the issuance of the 2004 Bonds, the Issuer acquired a leasehold interest in a portion of Saint Francis' hospital campus (the "Facility") pursuant to a hospital lease agreement dated March 1, 2004 whereby Saint Francis leased the Facility to the Issuer. Concurrently, Saint Francis and the Issuer entered into a lease agreement (as subsequently amended and modified, the "Lease Agreement") whereby the Issuer sublet its interest in the Facility to Saint Francis. Pursuant to the Lease Agreement, Saint Francis is obligated to make monthly payments sufficient to pay principal of, premium, if any, and interest, when due, on the 2004 Bonds.

Saint Francis and Saint Francis Health Care Foundation (the "Guarantors") guaranteed the obligations arising under the Lease Agreement and the 2004 Bonds to the Bond Trustee and the Issuer pursuant to a certain Guaranty Agreement, dated as of March 1, 2004 (as subsequently amended and modified, the "Guaranty"). As further collateral, and as more particularly described in that certain Mortgage and Security Agreement dated as of March 1, 2004 from the Issuer and Saint Francis to the Bond Trustee (the "2004 Mortgage"), the Issuer and Saint Francis granted a security interest in, among other things, Saint Francis' campus and all buildings and improvements thereon. In addition, pursuant to the 2004 Mortgage, Saint Francis pledged the gross receipts of the hospital to the Bond Trustee to secure its obligations under the Lease Agreement, the 2004 Mortgage, the 2004 Guaranty, and related transaction documents (collectively, the "2004 Transaction Documents").

The 2004 Bonds are payable from, among other sources, (i) payments made by Saint Francis under the Lease Agreement, (ii) payments made by the Guarantors under the Guaranty, and (iii) from certain funds established under the 2004 Indenture.

In addition, prior to the issuance of the 2004 Bonds, Saint Francis was in arrears with respect to certain obligations owed to the Archdiocesan Pension Plan ("APP") in the amount of approximately $6 million. In connection with the 2004 Bond issuance, Saint Francis executed a promissory note in the amount of such arrearage in favor of APP (the "APP Note") dated as of March 1, 2004 which was secured by a Mortgage and Security Agreement, dated as of March 1, 2004 (the "APP Mortgage") from Saint Francis to APP which consisted of a first mortgage lien and security interest in the Facility and a security interest in the gross receipts of Saint Francis. Pursuant to a Subordination Agreement, dated March 1, 2004 (the "Subordination Agreement") from APP to the Bond Trustee, APP agreed to subordinate the APP Mortgage and APP's Claims to the liens and Claims of the Bond Trustee. A Subordination Agreement, dated as of June 26, 2007, from APP to the Bond Trustee provides that APP shall not be entitled to the payment of any sum under the APP Note or the APP Mortgage until such time as the Bond Trustee shall have recovered the full amount of the indebtedness evidenced by the Bond Documents. Since the Bond Claim is not being paid in full under the Plan, it appears that the

APP Subordinated Claim should be disallowed or should be treated as a Subordinated Claim. The Plan Administrator's rights to seek to treat the APP Subordinated Claim as a Subordinated Claim, or to otherwise object to the APP Subordinated Claim, are fully preserved.

2. The 2007 Bonds

On June 1, 2007, the Issuer and Bond Trustee entered into the Second Supplemental Indenture of Trust (the "2007 Indenture") to facilitate the issuance of bonds (the "2007 Bonds") in an additional aggregate principal amount of $9.5 million. The 2007 Bonds were issued to provide financing to furnish, equip, renovate and improve the existing 12,901 square feet of emergency and trauma space; expand, construct, furnish, and improve approximately 8,685 square foot addition to the emergency and trauma space to include 26 treatment rooms (21 private), two waiting rooms, three separate but connected trauma rooms, and seven patient bathrooms; and construct, renovate, furnish, equip and improve approximately 4,800 square feet of new Adult Cardiac Catheterization Lab space, including 2 procedure rooms. The 2007 Bonds accrue interest at an annual rate of 6.70%, based on a 360-day year, and are due to mature on March 1, 2037.

To secure the payment of the 2007 Bonds, the Issuer and Saint Francis executed and delivered a Mortgage and Security Agreement, dated as of June 1, 2007 (the "2007 Mortgage") to the Bond Trustee, granting a mortgage lien and security interest against, among other things, the Saint Francis campus and all buildings and improvements thereon. In addition, pursuant to the 2007 Mortgage, Saint Francis pledged the gross receipts of the hospital to the Bond Trustee to secure its obligations under the Lease Agreement, the 2007 Mortgage and related documents.

Pursuant to the terms of a Mortgage Consolidation, Modification, Extension and Security Agreement, dated as of June 1, 2007 (the "Mortgage Consolidation Agreement") the liens granted by the 2004 Mortgage and 2007 Mortgage were consolidated to provide one consolidated mortgage lien securing the 2004 Bonds and 2007 Bonds in the aggregate principal amount of $37.535 million. In addition, the Lease and Guaranty were amended and modified to reflect the issuance of the 2007 Bonds and the obligations thereunder.

Based upon these liens, the Bond Trustee has a lien against substantially all of the Assets of the Debtors and their Estates.

D. Events Leading To Commencement Of Chapter 11 Cases.

1. Legislative, Regulatory and Contractual Matters Affecting Revenue

The healthcare industry in New York State has become increasingly challenging for providers like the Debtors. Inpatient volume (and therefore revenues) has declined, while costs have increased at a rate faster than inflation. This results in the trimming of already slim margins on which a hospital must operate.

Moreover, the hospital's two largest "clients" – Medicare and Medicaid – have kept their reimbursement rates low and made the billing process increasingly rigorous. In combination with certain systemic problems the Debtors encountered in connection with a

software platform transition described more fully below, the daunting economic landscape led to the Debtors' increased inability to recapture costs associated with patient services.

2. Software Transition and Billing Issues

Beginning in September 2012, the Debtors implemented a series of new comprehensive information systems, including Meditech (comprehensive), iPeople (clinical decision support), and Allscripts (financial decision support) in an effort increase the Debtors' operational efficiency. By October 2012, the Debtors determined that the implementation of the Meditech software had failed. The implementation failed because, among other things, the Debtors' medical records department and patient billing and collection department were understaffed and underperforming. In addition, material aspects of the customer defined tables in the software were inadequately prepared.

The failure of the Meditech implementation under previous management and governance had a significant impact on the Debtors' financial reporting and revenue cycle functions. In an effort to rectify these issues, the Debtors engaged several consulting organizations during late 2012 and early 2013. The Debtors attempted to retrain its staff and employed Dell to assist in the transition and implementation of the software. Unfortunately, not enough of the previous and rapidly aging accounts receivable were collected. In addition, ongoing billing issues during later 2012 and early 2013 further strained cash flow. Causes of Action of the Debtors may exist against current or former officers and board members of the Debtors and/or others relating to the failure of the implementation of the Meditech software. The Plan Administrator may pursue such Causes of Action.

3. Changes to the Composition of the Board of Trustees

For almost 50 years Saint Francis' Board of Trustees was controlled by a succession of several families. For various reasons, including the financial issues set forth above, the Sisters of Saint Francis felt that a change to the board was necessary in order to give the hospital a fresh start and a new vision going forward. In August 2013, the entire Executive Committee (consisting of six board members) was removed from the Board of Trustees, and thereafter, three additional board members resigned in protest. At approximately this same time, Art Nizza was named as President and CEO to focus on the Saint Francis restructuring efforts and Kristin Cash-Holland was named as Chief Financial Officer.

These board-level changes led the Debtors to revisit their business strategy and reevaluate their path going forward. It became clear to the newly constituted Board of Trustees that the hospital's future was in jeopardy and was in a much more precarious financial situation than the Sisters of Saint Francis had previously known or believed. It also became clear that the implementation of the Meditech software was problematic and that additional capital resources would be needed to rectify the troubled implementation.

4. Rapid Growth of SEIU 1199

For almost 15 years, the Service Employees International Union Local 1199 ("SEIU 1199") has represented approximately 27 of the Debtors' maintenance staff. However, until recently the rest of the Debtors' staff was not unionized.

On September 6, 2013, almost 500 additional employees were certified by the National Labor Relations Board (the "NLRB") as voting to become members of SEIU 1199. In addition, on September 20, 2013, approximately 300 of hospital's registered nurses voted to participate in SEIU 1199 as well.

As a result of this rapid and recent growth of SEIU1199, the Debtors' anticipate that their labor costs will continue to rise, without a prospect for revenue to cover these added costs.

5. Defaults Under the 2004 and 2007 Bonds and Contemplated Asset Sale Transaction

In late 2012 and early 2013, the Debtors violated several non-financial and financial covenants associated with the 2004 Bonds and 2007 Bonds. As a result of these covenant defaults, in August and September, the Debtors engaged in extensive negotiations and discussions with the Bond Trustee about forbearance and restructuring alternatives. These discussions resulted in the Debtors engaging financial and legal professionals - CohnReznick ("CR"), Nixon Peabody LLP ("NP"), and Deloitte Corporate Finance LLC ("Deloitte") - in order to explore the possibility of a sale or merger of the hospital to another healthcare provider in addition to exploring other potential uses for the Debtors' Facility.

While these discussions were underway regarding a forbearance period or other debt restructuring alternatives, the Debtors determined that, given their financial condition and accelerating financial losses, they had no viable alternative but to move quickly to sell their Assets and, in connection with that process, make preparations for an orderly bankruptcy process.

In November 2013, the Debtors' financial distress became so severe that the Debtors faced an immediate liquidity crisis and requested that the Bond Trustee provide a bridge loan to permit the Debtors to meet payroll, pay vendors and continue as a going concern pending the commencement of these cases and allowing the Debtors' a meaningful chance to obtain debtor in possession financing. The Bond Trustee agreed to provide certain emergency financing to the Debtors in an amount not to exceed $2.3 million (the "Emergency Advances") to meet payroll and other operational expenses, and to allow the Debtors to explore the process of an orderly bankruptcy filing, with necessary post-petition financing in place, to facilitate a sale of the Debtors' Assets. As of the Petition Date, $2.3 million of this bridge loan remained outstanding. In connection with the Emergency Advances, the Bond Trustee and the Debtors entered into a forbearance agreement, whereby the Bond Trustee agreed not to exercise rights under the Bond Documents provided the Debtors performed under the terms of the forbearance.

In the last calendar quarter of 2013, the Debtors, with the advice of CR, NP and Deloitte, began to market the Debtors' Assets and to work to identify a potential purchaser for those Assets. As a result of that process, the Debtors negotiated and executed a form of Asset Purchase Agreement (the "Health Quest APA") between the Debtors and Health Quest Systems, Inc. or its designee ("Health Quest") to facilitate the contemplated transaction. The Health Quest APA contemplated the sale of substantially all of the Debtors' Assets (collectively, the "Purchased Assets"). The Health Quest APA represented the "Stalking Horse Bid" in the

Debtors' bankruptcy cases, and was subject to higher or better offers and the approval of the Bankruptcy Court.

III. THE CHAPTER 11 CASES

A. Filing. On December 17, 2013, the Debtors each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (the "Petition Date"). By Order of the Bankruptcy Court, dated December 19, 2013, the Debtors' Chapter 11 Cases were consolidated for procedural purposes only and are being jointly administered under case number 13-37725 (CGM). The Honorable Cecelia G. Morris has presided over the Chapter 11 Cases since the Petition Date.

B. Administration of the Cases. After the Petition Date, and in accordance with sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continued to operate their businesses and manage their properties as Debtors in possession. As of the date of this Disclosure Statement, no trustee or examiner has been appointed in the Chapter 11 Cases, nor has any motion for a trustee or examiner been made.

C. Bankruptcy Court First Day Orders. On or about December 19, 2013, the Bankruptcy Court entered a number of orders granting the Debtors various forms of interim relief. In particular, the Debtors obtained orders, among others:

(i) authorizing the Debtors to maintain existing bank accounts and business forms;

(ii) authorizing an extension of the Debtors' time to file schedules of Assets and liabilities and statement of financial affairs;

(iii) authorizing the Debtors to pay pre-petition payroll and related employee benefits;

(iv) authorizing the Debtors to continue workers' compensation programs and insurance policies and pay all obligations owing thereunder;

(v) granting administrative expense status to the Debtors' undisputed obligations arising from the post-petition delivery of materials ordered in the pre-petition period and authorize the Debtors to pay such obligations in the ordinary course of business, as well as to pay critical vendors; and

(vi) establishing procedures for treatment of valid reclamation claims.

D. Appointment of Creditors' Committee. On December 23, 2013, the United States Trustee for the Southern District of New York appointed the following Creditors to the Committee:

1. Cardinal Health, Inc.

2. Restorix Health, Inc.

3. Owens & Minor Distribution, Inc.

4. 1199SEIU United Healthcare Workers East

5. HTA Poughkeepsie, LLC

E. Appointment of Patient Care Ombudsman. On January 24, 2014, the Bankruptcy Court entered an order directing the appointment of a "Patient Care Ombudsman" in accordance with section 333(a)(2) of the Bankruptcy Code. On January 30, 2014, the United States Trustee named Barry Liss an ombudsman in the Chapter 11 Cases.

F. Retention and Compensation of Professionals.

1. Bankruptcy and Special Counsel. On January 3, 2014, the Debtors filed an application to retain NP on an interim basis. An Order approving the retention of NP was entered on February 5, 2014.

2. Sales Consultants. On January 3, 2014, the Debtors filed an application to retain Deloitte as sales consultant. An Order approving the retention of Deloitte was entered on February 5, 2014.

3. Financial and Restructuring Consultant. On January 3, 2014, the Debtors filed an application to retain CR as financial advisor and restructuring consultant to the Debtors. An Order approving the retention of CR was entered on February 5, 2014.

4. Claims and Voting Agent. Because of the large number of Creditors in these Chapter 11 Cases, on December 20, 2013, the Debtors obtained Bankruptcy Court approval to have BMC Group, Inc. ("BMC") appointed as the official claims agent for the Clerk of the Bankruptcy Court. The services performed and to be performed by BMC include: (a) distribution of notices required to be sent to parties-in-interest, (b) receipt, maintenance, docketing and administration of the proofs of claims filed in the Chapter 11 Cases, (c) tabulation of acceptances and rejections of the Plan, and (d) other administrative services that the Debtors may require.

5. Professionals Retained by the Creditors' Committee. During the Chapter 11 Cases, the Committee retained Alston & Bird LLP as their legal advisors and CBIZ Accounting, Tax & Advisory of New York, LLC as their financial advisors. Orders have been entered approving those retentions.

6. Professionals Retained by Patient Care Ombudsman. Following his appointment, on January 24, 2014, the Patient Care Ombudsman filed an application seeking authorization to retain Gibbons, P.C. as counsel. The Bankruptcy Court has not acted on that application as of the date of this Disclosure Statement.

7. 457(b) Plan Litigation. Prior to the Petition Date, the Debtors had offered its employees the opportunity to participate in a 457(b) plan effective July 1, 2003, as amended and restated on January 2, 2010 (the "457(b) Plan"). Pursuant to the terms of the 457(b) Plan, "a participant may defer amounts of compensation (and income earned on those deferrals) and

avoid federal income taxation until those amounts are paid or made available to the participant." Section 457(b) of the Internal Revenue Code requires that, in order to be considered an eligible deferred compensation plan, any income retained by an employer as part of that plan must remain subject to the claims of the employer's general creditors. 26 U.S.C.A. § 457. However, Section 541(b)(7) of the United States Bankruptcy Code makes certain exclusions from the definition of property of a debtor's estate. These exclusions include plans governed by 457 of the Internal Revenue Code. As a result, it is unclear who has rightful title to the funds held in the 457(b) Plan. Approximately, $3.3 million is held in the 457(b) Plan. On February 14, 2014, the Debtors filed a complaint and a motion for declaratory judgment with respect to the 457(b) Plan in order to determine whether or not the funds held in the 457(b) Plan constitute property of the Debtors' Estates. As of the date of this Disclosure Statement, this issue has not been resolved. To the extent this issue is not resolved prior to the Effective Date, the matter will continue to be litigated after the Effective Date. The Committee is a defendant in the adversary proceeding (Adversary Proceeding No. 14-09007) commenced by the Debtors. After the Effective Date, the Post Effective Date Committee will have standing and authority to continue to defend and prosecute the Committee's position as a defendant in the adversary proceeding. In addition, Causes of Action of the Debtors may exist against current or former officers and board members and/or others relating to the 457(b) Plan, including, but not limited to, the failure to properly establish the 457(b) Plan. The Plan Administrator may pursue such Causes of Action. Michael Cunningham, a participant in the 457(b) Plan, disputes that the funds/proceeds of the 457(b) Plan are property of the Debtors' estates. Mr. Cunningham maintains that funds/proceeds in the 457(b) Plan are not property of the Debtors' estates from the Debtors' estates and Mr. Cunningham intends to oppose the complaint and motion for declaratory judgment and any other action by the Debtors to control the funds in the 457 Plan. Mr. Cunningham further reserves all objections he may have to the confirmation of the Debtors' Plan, including the proposed substantive consolidation of the Debtors' estates under the Plan and the proposed use of the funds/proceeds in the 457(b) Plan to pay the claims of the Debtors' other creditors. Mr. Cunningham further objects to the release or enjoining of any and all claims, rights, causes of action, remedies, or the like he may have or hold against any person or entity relating to the 457(b) Plan, including the release, exculpation, or the enjoining of any claims or rights he may have or hold against any other person, entity or insurance policy that may apply to his claims under the 457(b) Plan.

8. Post-Petition Financing.

On December 17, 2013, the Debtors filed a motion seeking entry of an interim order and a final order, pursuant to sections 105(a), 361, 362, 363, 364(c) and 364(d) of the Bankruptcy Code, and Bankruptcy Rules and Rule 4001-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "Local Rules"), granting authorization under sections 364(c) and 364(d) of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules for the Debtors to obtain secured, superpriority postpetition financing (the "DIP Financing") on the terms provided under:

(a) a revolving loan with a principal amount of up to Nine Million Dollars ($9,000,000) (the "DIP Revolving Loan") as set forth in that certain Debtor in Possession Revolving Loan Credit and Security Agreement, dated as of December 17, 2013, by and between

the Debtors and MidCap Financial, LLC ("MidCap Financial") (the "DIP Revolving Credit Agreement"); and

(b) a term loan in the original principal amount of Eleven Million Dollars ($11,000,000) (the "DIP Term Loan"; and together with the DIP Revolving Loan, the "DIP Loan") as set forth in that certain Debtor in Possession Term Loan Credit and Security Agreement, dated as of December 17, 2013, by and between the Debtors and MidCap Funding V, LLC ("MidCap Funding"; and together with MidCap Financial, as lender, the "DIP Lender" and, as agent, the "DIP Agent"), (the "DIP Term Credit Agreement"; and together with the DIP Revolving Credit Agreement, the "DIP Credit Agreement").

The Bankruptcy Court approved the DIP Financing on both interim grounds and on a final basis. The Debtors sought and received under the Final Cash Collateral and DIP Order authorization to pay the principal, interest, fees, expenses and other amounts payable under each of the DIP Credit Agreement as they become due, including, without limitation, closing/origination fees, unused line fees, collateral management fees, appraisal and/or audit fees, exit fees, fees and disbursements of the DIP Lender's attorneys, advisors, accountants, and other consultants, and any other legal expenses of the DIP Lender, all in accordance with the budget agreed upon in connection with the DIP Financing, and as otherwise provided in the DIP Credit Agreement. The Debtors were also authorized to grant security interests, liens, superpriority claims (including a superpriority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code and liens pursuant to sections 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code), and related protections to the DIP Lender to secure all obligations, as set forth in DIP Credit Agreement.

G. Use of Cash Collateral and Adequate Protection.

The Debtors also sought the use of Cash Collateral of the Bond Trustee and the consent of the Bond Trustee to the priming liens contemplated by the DIP Credit Agreement. In exchange for the consent of the Bond Trustee, the Debtors sought and received under the Final Cash Collateral and DIP Order authorization to provide to the Bond Trustee, among other things, (i) to the extent of a diminution in value (a "Diminution Claim") (a) a super priority administrative expense claim (including against proceeds of Avoidance Actions to the extent of $1 million); (b) a replacement lien, and (c) a supplemental lien; (ii) repayment of $1.3 million of the Emergency Advance; and (iii) monthly payments equal to the debt service payment under the Bond Documents.

Access to the funds under the DIP Credit Agreement and the use of Cash Collateral were essential to ensure that the Debtors could fund their postpetition operating requirements and preserve and maintain their Assets and the infrastructure of their businesses to achieve the sale of substantially all of their Assets under the Bankruptcy Code.

H. Sale to WMC.

On December 17, 2013, the Debtors filed a motion, pursuant to sections 105 and 363 of the Bankruptcy Code, seeking authorization to sell substantially all of their Assets to Health Quest, free and clear of all liens, claims and encumbrances, as set forth in the Health

Quest APA, subject to higher and better offers. The Debtors simultaneously sought approval of sale procedures intended to solicit higher and better offers for the Debtors' Assets, while balancing those efforts against the Debtors' continuing financial losses.

On December 19, 2013, the Bankruptcy Court entered a "Sale Procedures Order" establishing, among other things, noticing of the proposed sale to Health Quest and approving bidding procedures for potential purchasers. In compliance with the Sale Procedures Order, the Debtors and their advisors coordinated with BMC, the Bankruptcy Court-approved noticing agent, to serve notice of the sale, the auction, the sale hearing and related matters upon all known Creditors and parties-in-interest and to all potential entities that had expressed an interest in acquiring the Debtors' Assets. The Debtors also caused notice of the auction and sale hearing to be published in *The Wall Street Journal* and *USA Today* on January 29 and 30, 2014 respectively. Notices also were published in Beckers Hospital Review and Modern Healthcare on January 31, 2014 and February 3, 2014 respectively.

Pursuant to the Sale Procedures Order, the Bankruptcy Court established certain deadlines for the sale process. Among other things, the Sale Procedures Order provided that if an "Expression of Interest" (as defined in the Sale Procedures Order) was received by the Debtors by January 10, 2014 an extended sales process would be set in motion. Upon the receipt of an Expression of Interest, parties would have until February 10, 2014 (the "Bid Deadline") to submit Qualified Bids to the Debtors. The Sale Procedures Order provided that if one or more Qualified Bids were received by the Debtors by the Bid Deadline an auction would be held on February 13, 2014. Moreover, the Sale Procedures Order scheduled a Sale Hearing for February 18, 2014. On February 5, 2014, the Bankruptcy Court entered a "Supplemental Sale Order" approving a $1,000,000.00 Break-Up Fee and Expense Reimbursement (in the aggregate) for Health Quest payable in the event that (among others) the Debtors elected to abandon the proposed sale of the Purchased Assets to Health Quest in favor of pursuing an alternative transaction.

On January 9th and 10th, the Debtors received three (3) Expressions of Interest, including one from WMC. Two Expressions of Interest were limited to the Debtors' home health business. Other than WMC and Health Quest, no other party expressed interest in purchasing all of the Purchased Assets. Upon the receipt of the Expressions of Interest, the Debtors worked diligently to provide due diligence to various parties. After the submission of the Expressions of Interest several other parties approached the Debtors and conducted due diligence with respect to parts of the Debtors' Assets (relating to the home health care and preschool lines of business). After extensive marketing efforts by the Debtors and their advisors, prior to the Bid Deadline, the Debtors received a Qualified Bid by WMC. The Debtors did not receive any other Qualified Bids or any non-qualifying bids.

Thereafter, the Debtors and WMC negotiated a fair market value sale to WMC and those negotiations resulted in the bid contained in the WMC Asset Purchase Agreement (the "WMC APA"). The Debtors and WMC then entered into the WMC APA on February 10, 2014. The WMC APA contemplates the sale of substantially all of the Debtors' Assets. The terms of the WMC APA are, however, substantially and materially better than those provided for in the Health Quest APA for all parties-in-interest. Among other terms, the WMC APA provides approximately $18 to $20 million more in consideration to the Debtors Estates than the Health

Quest offer, and the WMC proposal has a broader list of Excluded Assets that will remain with the Estates. The WMC APA also provides for WMC to provide the Debtors with the Exit Facility, thereby enabling a feasible wind-down of the Debtors' Estates and the remaining Assets. Importantly, the Exit Facility will be non-recourse, and will only be secured by Receivables. Additionally and importantly, WMC has advised the Debtors that it intends to retain inpatient psychiatric beds and emergency mental health services, chemical dependency and detox, Level II Trauma emergency services on the Saint Francis campus itself and pre-school and early intervention in the local community where it currently exists. The goal expressed by WMC in relation to the WMC offer is to add services to the Saint Francis campus, giving the best opportunity for additional growth in the local community. This pledge ensures the continuity of services at the Saint Francis campus, with minimal disruption.

On February 10, 2014, the Debtors filed with the Bankruptcy Court a notice cancelling the Auction and supporting a sale of the Assets to WMC (the "Notice of Cancellation"), The Notice of Cancellation set forth the bases for cancelation of the Auction, including that (i) it appeared that regulatory issues would make it difficult if not impossible to consummate a deal with Health Quest; (ii) WMC agreed to submit a fair market value bid, instead of the minimum overbid provided for in the Sale Procedures Order if the proposed Auction was cancelled; and (iii) if the Auction was not canceled, WMC indicated it would not agree to the fair market value reflected in the WMC APA, but would instead submit a minimum qualifying bid required by the Sale Procedures Order and stand on that bid amount. Thereafter, Health Quest and the Debtors, submitted a stipulation to the Bankruptcy Court whereby Health Quest formally withdrew from the sale process [Dkt. No. 344].

The Committee filed a limited objection to the Debtors' request to approve a sale of the Purchased Assets to WMC [Dkt. No. 314] objecting to, among other matters, the allocation of the consideration being paid by WMC to the Debtors' Estates under the WMC APA and the rights of the holders of the Existing Bonds to receive the New Hospital Bonds at the Closing. That objection was resolved by, inter alia, the Debtors', the Committee's and the Bond Trustee's agreement to support the confirmation and consummation of a plan of reorganization that: (i) implements terms of the Sale Order and the WMC APA; (ii) provides that the Bond Trustee shall, upon the Effective Date, cause to be paid over to the Debtors' Estates the aggregate sum of $3 million;[4] (iii) provides that the holders of the Existing Bonds as of the Distribution Record Date shall receive the New Hospital Bonds on the Effective Date and all other funds held by the Bond Trustee subject to and in accordance with the Bond Documents, in full satisfaction, settlement, release and discharge of the Bond Claim; and (iv) provides that as of the Effective Date, the Committee and all other parties shall be deemed to have waived and released any rights to challenge the validity, amount, perfection, priority, extent or enforceability of the Bond Claim, the Emergency Advances or the pre-petition security interests of the Bond Trustee or to commence any claim or action against any Released Parties relating to the Released Claims (as those terms are used in the Final Cash Collateral and DIP Order).

[4] As set forth herein, pursuant to a subsequent order entered by the Bankruptcy Court on March 7, 2014, $300,000 of the $3.0 million payment will be contributed by certain non-Debtor third parties, effective as of the Effective Date. Such funds are currently held by the Debtors' attorneys in their client trust fund account.

At a hearing in the Bankruptcy Court on February 18, 2014, the Bankruptcy Court approved the Notice of Cancellation and on February 24, 2014, entered the Sale Order. Following Bankruptcy Court approval for the Asset Sale, the Debtors and WMC sought to satisfy the closing conditions and obtain the necessary regulatory approvals. As part of the regulatory approval process, the New York State Public Health and Health Planning Council ("PHHPC") needs to approve the Asset Sale to WMC. Conditional approval of the Asset Sale has been sought from PHHPC which is a condition to Closing. A condition of closing on the sale under the WMC APA is approval of the Plan. The WMC APA provides for termination unless an order confirming the Plan is entered on or before May 9, 2014.

I. Executory Contracts and Unexpired Leases.

1. Assumption of Contracts and Leases. Pursuant to the Sale Order, and WMC APA, Assumed Contracts and Assumed Leases shall be assumed and assigned pursuant to Bankruptcy Code section 365 as of the Asset Sale Closing DateCure Payments, if any, shall be made in accordance with the Sale Order and APA within five (5) business days of the Asset Sale Closing Date.

2. Rejection of Contracts and Leases. Except as otherwise set forth in the Plan each contract of the Debtors that is not assumed and assigned to WMC that has not expired by its own terms before the Asset Sale Closing Date shall be rejected as of the Asset Sale Closing Date. As of the Asset Sale Closing Date, except as otherwise set forth in the APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded shall be terminated and deemed rejected. Except as otherwise set forth in the WMC APA, all employees currently employed by the Debtors under such agreements as of the Asset Sale Closing Date shall be terminated thereon.

J. Bar Date For Filing Pre-Petition and Post-Petition Proofs of Claims.

The Debtors filed their Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs on January 31 and February 1, 2014. By an Order dated March 7, 2014 (the "Bar Date Order") the Bankruptcy Court fixed April 16, 2014 as the date by which most proofs of claims for prepetition Claims had to be filed against the Debtors.[5] Under the Bar Date Order and the Plan, unless otherwise ordered by the Bankruptcy Court, any person or entity that was required to file a timely proof of claim and failed to do so on or before the Bar Date will not be entitled with respect to such Claim to receive any payment or distribution of property from the Debtors, their successors or assigns, and will be forever barred from asserting such Claims against the Debtors' Estates. The Plan Administrator will be reviewing and reconciling Claims and will file appropriate objections thereto.

[5] Governmental units have until June 15, 2014 to file proofs of claim against the Debtors.

K. Collective Bargaining Agreements.

The Debtors were a party to a collective bargaining agreement with 1199 SEIU (the "1199 CBA") covering certain maintenance workers which expired on December 31, 2013. As of the date hereof, the 1199 CBA has not been extended or replaced. In addition, on September 6, 2013, almost 500 additional employees were certified by the National Labor Relations Board (the "NLRB") as voting to become members of SEIU 1199. In addition, on September 20, 2013, approximately 300 of hospital's registered nurses voted to participate in SEIU 1199 as well. Although no collective bargaining agreements currently exist, pursuant to the WMC APA, a professional employment organization ("PEO") designated by WMC shall negotiate in good faith with Local 1199 SEIU to enter into Collective Bargaining Agreements with the bargaining unit of the Debtors that was covered by the 1199 CBA and bargaining units of the Debtors that in 2013 voted to be represented by Local 1199 SEIU.

Pursuant to the WMC APA, the PEO (or in the case of physicians, a professional corporation or other authorized entity designated by Buyer) shall, at the time of the Asset Sale Closing Date, offer employment to a number of full-time equivalent employees that is not less than the number of full-time equivalent employees of the Debtors as of the Asset Sale Closing Date. Employment terms offered would be consistent with WMC's standard salary, wage and benefit programs. Any potential employees shall be required to be in good standing with the Debtors and, to the extent previously employed by WMC, shall also have been in good standing at WMC prior to their termination. Any selection for employment opportunities shall be conducted in accordance with WMC's standard employment screening policies and procedures. Any such offers of employment to the Debtors' employees shall be on such terms as the applicable employer deems appropriate in its sole discretion. Those employees who accept the applicable employer's offer of employment and commence working for the applicable employer on the Asset Sale Closing Date shall hereafter be referred to as "Hired Employees." All employees currently employed by the Debtors that do not receive an offer of employment shall be terminated as of the Asset Sale Closing Date.

Except as otherwise set forth in the WMC APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded will be terminated and deemed rejected..

L. Liquidation of Accounts Receivable.

The Debtors' accounts receivable (the "Accounts Receivable") are not being sold pursuant to the WMC APA and will be retained and liquidated pursuant to the Plan. Pursuant to the WMC APA, WMC has agreed to provide certain Exit Financing which will satisfy the existing obligations owed to the DIP Lender. This Exit Financing will be secured by a first priority lien on and security interest in the Accounts Receivable. Under the terms of this arrangement, once the Exit Financing is paid in full, any additional proceeds from the collection of Accounts Receivable will belong to the Reorganized Debtors and will be available to satisfy the Claims of Creditors. It is anticipated, based on current projections, that there may be

approximately $500,000 available from the collection of Accounts Receivable after payment of the Exit Financing Obligations.

M. Records Storage.

As part of the WMC APA, WMC will be responsible for maintaining and preserving necessary medical records of the Debtors pursuant to applicable law. The Debtors and their Estates will have access to such records upon reasonable notice to WMC.

N. 9019 Settlement

As noted above, as part of the sale process, the Committee filed a limited objection concerning, among other things, the allocation of the consideration to be paid by WMC under the WMC APA. The Bond Trustee and the Committee disagreed as to the extent of the Bond Trustee's liens against the Debtors' Assets. Ultimately, the Bond Trustee and Committee resolved their respective disputes by providing the following: (a) the Debtors, the Committee and the Bond Trustee would support the confirmation and consummation of a plan of reorganization that: (i) implements the sale to WMC under the terms of the Sale Order and the WMC APA; (ii) provides that the Bond Trustee shall, upon the effective date thereof, cause to be paid over to the Debtors' Estates the aggregate sum of $3 million; (iii) provides that the holders of the Bonds as of the Distribution Record Date shall receive the New Hospital Bonds on the Effective Date and all other funds held by the Bond Trustee subject to and in accordance with the Bond Documents, in full satisfaction, settlement, release and discharge of the Bond Claim; and (iv) provides that as of the Effective Date, the Committee and all other parties shall be deemed to have waived and released any rights to challenge the validity, amount, perfection, priority, extent or enforceability of the Bond Claim, the Emergency Advances or the pre-petition security interests of the Bond Trustee or to commence any claim or action against any Released Parties relating to the Released Claims (as those terms are used in the Cash Collateral and DIP Order) under § 42 of the Cash Collateral Order or otherwise; except with respect to the terms set forth in (a) above, the Committee and the Bond Trustee reserve all of their rights in connection with any Chapter 11 plan proposed by the Debtors; and (c) if the WMC APA is terminated, or if both the sale to WMC and effective date of the Proposed Plan do not occur on or before May 9, 2014, then the Committee or Bond Trustee may, by written notice to the other and the Debtors, declare the foregoing resolution null and void so long as the party giving notice is not then in material breach of the foregoing terms, and the resolution shall thereafter have no further force or effect and shall not constitute any admission by any party as to any matter relevant to the Committee's "allocation objection" filed in connection with the Sale Hearing. To facilitate the foregoing resolution, the Committee challenge period set forth under § 42 of the Cash Collateral and DIP Order was extended until the first to occur of (a) the 21st day after any termination of the Purchase Agreement; (b) the effective date of a Chapter 11 plan; or (c) May 31, 2014.

On February 26, 2014, the Debtors filed their *Supplemental Statement Regarding Motion for Entry of Order Pursuant to Bankruptcy Code Sections 363, 541, and 105(a), Authorizing Debtors to Pay Prepetition Amounts Associated with Restricted Funds* (the "Grant Supplement")[Dkt. No. 371]. As further described in the Grant Supplement, the 9019 Contribution is to be funded by the Bond Trustee from the sources described in Schedule 1.1 of the Plan; however, although Schedule 1.1 states that $300,000 of the 9019 Contribution is being

contributed by other non-Debtor parties, it is the obligation of the Bond Trustee to pay the full amount of the 9019 Contribution to the Debtors' Estates even if the other non-Debtor parties fail to provide the $300,000 portion of the $3,000,000 payment. On March 7, 2014, the Bankruptcy Court entered the *Third Interim Order Pursuant to Bankruptcy Code Sections 363, 541, and 105(a), Authorizing Debtors to Pay Prepetition Amounts Associated with Restricted Funds* [Dkt. No. 435] which approved a series of transactions whereby certain non-Debtor parties (i) contributed $100,000 cash to fund the 9019 Contribution, (ii) re-designated a previously existing $200,000 restricted gift to fund the 9019 Contribution, and (iii) contributed stocks to replenish the loss realized by the re-designation of the previously restricted $200,000 gift. Subsequently, the Debtors provided such $300,000, consistent with the transactions described in the Grant Supplement, to their attorneys, which is currently being held in a client trust account. Upon the Effective Date, $300,000 will be released from the client trust account to the Reorganized Debtors in order to partially fund the 9019 Contribution, as is contemplated under Schedule 1.1 of the Plan.

Through this settlement certain funds have been made available to the Debtors' Estates providing for (i) the ability of the Debtors to consummate the Plan and (ii) a possible distribution to Creditors holding Allowed Unsecured Claims.

IV. SUMMARY OF THE PLAN

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.

Only administrative expenses, claims and interests that are "allowed" may receive distributions under a Chapter 11 plan. An "allowed" administrative expense, claim or interest simply means that the debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines, that the administrative expense, claim or interest, including the amount thereof, is in fact a valid obligation of, or interest in, the debtor. Section 502(a) of the Bankruptcy Code provides that a timely filed administrative expense, claim or interest is automatically "allowed" unless the debtor or another party-in-interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the Debtors' equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or Interest before the deadline to file proofs of claim and interests.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a Chapter 11 plan divides the different claims against, and interests in, the debtors into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually

classified together, as are interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or interests which give rise to different legal rights, the holders of such claims and/or interests may find themselves as members of multiple classes of claims and/or interests.

Under a Chapter 11 plan, the separate classes of claims and interests must be designated either as "impaired" (altered by the plan in any way) or "unimpaired" (unaltered by the plan). If a class of claims or interests is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the Chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under Chapter 7. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan or the date on which amounts owing are due and payable, payment in full, in cash, with post-petition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate a debtor's obligations, the holder of an unimpaired claim will be placed in the same position it would have been in had the debtor's case not been commenced. Consistent with these requirements, the Plan divides the Claims against, and Interests in, the Debtors into the following Classes and affords the treatments outlined below.

A. Summary of Classification and Treatment of Claims and Interests Under the Plan.

If the Plan is confirmed by the Bankruptcy Court and is then consummated as is set forth below, holders of Claims will receive the distributions described below. Upon the Effective Date, the treatment of each Class of Claims under the Plan will be binding upon the Debtors, all holders of Claims, and all Persons whether or not such Persons are to receive any payments or other distributions under the Plan and whether or not such Persons have voted to accept the Plan.

Claims and Interests are divided into seven Classes under the Plan, and the proposed treatment of Claims varies among Classes. Administrative Claims, Fee Claims, U.S. Trustee Fees and Priority Tax Claims are not classified. The Plan contains (i) three Classes of unimpaired Claims, which consist of Secured Tax Claims, Secured Claims and Unsecured Priority Claims (Classes 1, 3 and 4) and (ii) two Classes of impaired Claims which consist of Bond Claims and General Unsecured Claims (Classes 2 and 5). The meaning of "Impairment," and the consequences in connection with voting on the Plan, is set forth in **Section 4** of the Plan.

The following section briefly summarizes the classification and treatment of Claims under the Plan.

Unclassified Claims

1. General.

In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Fee Claims, Priority Tax Claims and U.S. Trustee Fees have not been classified and are treated as described in **Section 2** of the Plan.

2. Administrative Claims.

Administrative Claims include any Claim for payment of an administrative expense or cost of a kind specified in Bankruptcy Code section 503(b) and referenced in Bankruptcy Code sections 507(a)(2), 507(b) or 1114(e)(2) including, without limitation, the actual, necessary costs and expenses of preserving the Estates and operating the businesses of the Debtors, including wages, taxes incurred by the Estates and allowed as administrative expenses, and salaries, or commissions for services rendered after the commencement of these Chapter 11 Cases; *provided, however*, the term does not include Fee Claims, DIP Claims or U.S. Trustee Fees, which are treated separately in the Plan.

Except as otherwise provided in the Plan, by written agreement of the holder of an Allowed Administrative Claim to accept different and less favorable treatment than provided under the Plan, or by order of the Bankruptcy Court, a Person holding an Allowed Administrative Claim will receive Cash equal to the unpaid portion of such Allowed Administrative Claim as soon as practicable after the later of: (a) the third Business Day after the Effective Date; (b) the date on which such Person becomes the holder of such an Allowed Administrative Claim; or (c) the date or dates when that Claim is payable by its terms, consistent with past practice and in accordance with past terms.

The Debtors estimate that the amount of accrued but unpaid Allowed Administrative Claims will be in the range of approximately $2.8 million to $5.0 million.

3. Fee Claims.

Fee Claims include any Claim for compensation for legal or other professional services and related reimbursement of expenses under Bankruptcy Code sections 328, 330(a), 331, and/or 503(b).

Except as otherwise provided in the Plan, by written agreement of the holder of an Allowed Fee Claim to accept different and less favorable treatment than provided under the Plan, or by order of the Bankruptcy Court, a Person holding an Allowed Fee Claim will receive Cash equal to the unpaid portion of such Allowed Fee Claim as soon as practicable after the later of: (a) the third Business Day after the Effective Date; or (b) the date on which such Person becomes the holder of such an Allowed Fee Claim.

The Debtors estimate that the amount of accrued but unpaid Allowed Fee Claims will be in the range of approximately $4.2 million to $5.1 million.

4. U.S. Trustee Fees.

U.S. Trustee Fees include all fees and charges assessed against the Debtors under Chapter 1930 of title 28, United States Code. All U.S. Trustee Fees will be paid in full by the Debtors or Plan Administrator, as the case may be, as they become due and owing and shall continue to be paid until such time that (i) a final decree is entered closing the Chapter 11 Cases, a Final Order converting the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or a Final Order dismissing the Chapter 11 Cases is entered and (ii) the Reorganized Debtors or Plan Administrator, as applicable, have met all Post-confirmation Operating Report Requirements of the U.S. Trustee's Operating Guidelines and Reporting Requirements for debtors in possession and trustees (unless the Bankruptcy Court orders otherwise) including providing an affidavit regarding quarterly reports of disbursements during each calendar quarter.

5. DIP Claims.

DIP Claims include any Claim derived from or based upon the DIP Loan Agreement. Except to the extent that a holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, and release of and in exchange for each and every Allowed DIP Claim, each holder of an Allowed DIP Claim shall receive, on the Effective Date, payment in full in Cash from proceeds of the Exit Facility.

6. Priority Tax Claims.

Priority Tax Claims include any Claim of a governmental unit of a kind entitled to priority under Bankruptcy Code section 507(a)(8). Allowed Priority Tax Claims, including but not limited to, any delinquent amounts and costs, Allowed Priority Tax Claims, including but not limited to, any delinquent amounts and costs, if any, relating to the assets being sold pursuant to the Asset Sale, shall be paid by the Debtors. Unless otherwise agreed by the holders of the Allowed Priority Tax Claims to accept different and less favorable treatment than provided under this Plan, or by order of the Court, any Person holding an Allowed Priority Tax Claim will receive, as determined by the Plan Administrator in its sole discretion and in full satisfaction of such Claim: (a) payment in Cash in full on the later of the Effective Date or the date such Claim becomes an Allowed Claim; or (b) Cash over a period not exceeding five (5) years after date of assessment of such Claim, with interest at a rate equal to four percent (4%) per year, payable monthly, in periodic payments, having the value of such Claim as of the Effective Date. Any Claim for or demand for penalty relating to any Priority Tax Claim other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code shall not be Allowed and the holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Estates or any of the Assets.

The Debtors do not believe that there are any accrued, unpaid Priority Tax Claims.

7. Bar Dates for Administrative Claims and Fee Claims.

(a) General Provisions. Unless the Court fixes a different date, all Administrative Claims must be filed no later than thirty (30) days after the Effective Date. All such Claims not timely filed shall be forever barred.

(b) Fee Claims. Each Person retained or requesting compensation in these Chapter 11 Cases, pursuant to Bankruptcy Code sections 328, 330, 331 and/or 503(b) must file with the Bankruptcy Court an application for allowance of any Fee Claims within forty five (45) days after the Effective Date. All such Fee Claims for which an application is not timely filed shall be forever barred. Objections to each such application may be filed in accordance with the Bankruptcy Rules. The Bankruptcy Court shall determine all such Fee Claims.

Classified Claims

1. Class 1: Secured Tax Claims. This Class consists of all Allowed Secured Tax Claims. Each Allowed Claim in this Class shall be assumed by the Purchaser pursuant to the APA as part of the Asset Sale. The Debtors do not believe that there are any Creditors holding Claims that may be Allowed as Secured Tax Claims.

2. Class 2: Bond Claims. This Class consists of the Bond Claim, which shall be Allowed on the Effective Date and not subject to reduction, disallowance, avoidance, setoff, recoupment or subordination. On the Effective Date, each holder of Existing Bonds as of the Distribution Record Date shall be deemed to surrender and exchange its Existing Bonds and shall receive a *pro rata* amount of New Hospital Bonds. On and after the Effective Date, each holder of Existing Bonds as of the Distribution Record Date shall additionally be entitled to receive a *pro rata* distribution of Cash or proceeds from any cash equivalents, securities, investment property or other property held by the Bond Trustee after payment of or reserve for fees and expenses of the Bond Trustee and its professionals. The treatment set forth in the Plan shall be in full and complete satisfaction of the Bond Claim. The Debtors estimate that the total amount of Allowed Claims in Class 2 is approximately $28,158,448.

3. Class 3: Secured Claims. This Class consists of all Allowed Secured Claims other than the Bond Claim. Each Allowed Claim in this Class shall be in a separate subclass. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment than provided under the Plan, or by order of the Court, each holder of an Allowed Claim in this Class will receive, at the election of the Plan Administrator: (a) payment of Cash in the amount of such holder's Allowed Secured Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date such Claim becomes Allowed; (b) the return of the property subject to the senior, perfected, non-avoidable, and indefeasible lien or security interest securing such holder's Allowed Secured Claim; or (c) the payment of any amounts agreed to be paid by the Purchaser with respect to such holder's Allowed Secured Claim, as assignee, pursuant to the Asset Sale. Any excess amount of a Class 3 Claim over the fair market value of the collateral securing such Claim, and any Secured Claim that does not have priority over the Bond Claim, shall constitute an Unsecured Deficiency Claim, which Claim shall be classified as a Class 5 Claim. The Debtors estimate that the total amount of Allowed Claims in Class 3 is approximately $277,000.

4. Class 4: Unsecured Priority Claims. This Class consists of all Allowed Unsecured Priority Claims. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment, each holder of an Allowed Unsecured Priority Claim which has not been satisfied as of the Effective Date shall receive Cash in the amount of such holder's Allowed Unsecured Priority Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed. Subject to, and in accordance with the terms of the APA, a professional employment organization ("***PEO***") designated by the Purchaser, (or, in the case of physicians a professional corporation or other authorized entity designated by the Purchaser) shall, to the extent it re-hires employees that were employed by the Debtors immediately prior to the Closing, award those employees credit for any accrued and unused paid time off that the employees have with the Debtors at the time of the Closing (the "***PTO Credit***"); provided, however that (i) the PTO Credit shall not exceed any cap that Purchaser places on the accrual of paid time off for its employees, and (ii) except to the extent required by applicable law, such hired employees shall not have the option to receive cash in respect of the PTO Credit. Any potential employees shall be required to be in good standing with the Debtors and, to the extent previously employed by Purchaser, shall also have been in good standing with Purchaser prior to their termination. The (i) amount of any such PTO Credit received by any former employee of the Debtors and (ii) the amount of any PTO used by such employee after the Petition Date in accordance with the Wage Order shall be applied to and reduce any Allowed Priority Claim that such employee holds against the Estates. The Debtors estimate that the total amount of Allowed Claims in Class 4 is approximately $2,360,000, which amount does not include any reductions for PTO Credit or PTO time used by employees after January 24, 2014.

5. Class 5: Unsecured Claims. This Class consists of all Allowed Unsecured Claims against the Consolidated Debtors. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment, each holder of an Allowed Unsecured Claim shall be entitled to receive such holder's *pro rata* share of Cash available from the liquidation or disposition of the Assets after payment of or reserve for Allowed Claims described in Sections 2, 3.2.3 and 3.2.4 of the Plan on the later of: (a) the date or dates determined by the Plan Administrator, to the extent there is Cash available for distribution in the judgment of the Plan Administrator, having due regard for the anticipated and actual expenses, and the likelihood and timing, of the process of liquidating or disposing of the Assets; and (b) the date on which such Claim becomes Allowed. The Debtors estimate that the total amount of Allowed Claims in Class 5 is approximately $27.5 million.

6. Class 6: Subordinated Claims. This Class consists of all Allowed Subordinated Claims. Each holder of an Allowed Claim in this Class shall receive no distribution on account of such Claims.

7. Class 7: Interests. Each holder of an Interest will not receive any distribution on account of such Interest. Each holder of an Interest shall not receive or retain an Interest or other property or interests of the Debtors on account of such Interest.

B. Implementation of 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. All actions taken under the Plan in the name of the Debtors shall be taken through the Plan Administrator. As set forth more fully in the Plan, the Plan Administrator shall be responsible for the liquidation of the Debtors' remaining Assets, administration of the Plan and the wind-down of the Debtors and their Estates post-Effective Date. On the Effective Date, the Debtors' Boards of Directors shall be relieved of all further responsibilities, and the Debtors' Directors shall be deemed to have resigned therefrom, and the operation of the Debtors shall become the general responsibility of the Plan Administrator.

(a) Substantive Consolidation of Consolidated Debtors for Plan Purposes. The Plan shall constitute a motion, pursuant to Section 105(a) of the Bankruptcy Code, to substantively consolidate the Consolidated Debtors. Subject to the occurrence of the Effective Date and effective on the Effective Date, the Consolidated Debtors shall be substantively consolidated for all of those purposes and actions associated with confirmation and consummation of the Plan. On and after the Effective Date, (a) all assets and liabilities of each of the Consolidated Debtors shall be treated as though they were merged into a single Estate solely for purposes of the Plan, (b) for all purposes associated with the Plan, the Estates of each of the Consolidated Debtors shall be deemed to be one consolidated estate, (c) each and every Claim filed, to be filed in the Chapter 11 Cases or otherwise asserted against any of the Consolidated Debtors shall be deemed filed against the merged estate and (d) the Consolidated Debtors shall be treated as though they were merged into a single estate for the purposes of calculating U.S. Trustee Fees. In accordance with the foregoing, all Intercompany Claims shall be extinguished and shall not be entitled to any distributions under the Plan. All guarantees of any Debtor of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the Consolidated Debtors.

(b) Funding for the Plan. The Plan will be funded from the 9019 Contribution, the proceeds of the Asset Sale, the Exit Financing, all other remaining Assets of the Debtors that are not Purchased Assets, and charitable contributions of third parties specifically designated for such purpose. As set forth above, absent the 9019 Settlement there would be little, if any, funds available for distribution to Creditors in the Chapter 11 Cases. In addition, attached hereto as **Exhibit B** is a list of the Excluded Assets which will be available to Creditors.

(c) Vesting of Assets in the Reorganized Debtors. As of the Effective Date, and except as otherwise provided in the Plan, pursuant to the provisions of Bankruptcy Code Section 1141(b) and (c), all Assets shall vest in the Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges, membership interests and other interests, subject to the terms and conditions of the Plan and the Confirmation Order. Notwithstanding the foregoing or any other provisions of the Plan, the indenture trustee for the holders of the New Hospital Bonds and the holders thereof shall have all rights, liens and claims set forth in and under the New

Hospital Bond Documents, the Exit Facility will be secured as specified in the Plan, and all holders of Allowed Claims shall be entitled to the treatment specified in the Plan.

(d) Issuance of New Hospital Bonds; Exemption From Securities Laws. The New Hospital Bonds shall be issued pursuant to and in accordance with the New Hospital Bond Documents on or in connection with the Effective Date. The issuance of the New Hospital Bonds shall be exempt from registration under any federal, state or local law, rule or regulation pursuant to section 1145 of the Bankruptcy Code or other applicable law. Any person who solicits or participates in the offer, issuance, sale or purchase of the New Hospital Bonds issued under, or in accordance with, the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, is not liable, on account of such solicitation or participation, for violation of an applicable law, rule or regulation governing solicitation of acceptance or rejection of the Plan or the offer, issuance, sale or purchase of securities pursuant thereto.

(e) Continuing Existence. From and after the Effective Date, the Reorganized Debtors shall continue in existence for the purposes of (i) winding up their affairs as expeditiously as reasonably possible, (ii) liquidating, by conversion to Cash, or other methods, all remaining Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Reorganized Debtors, including, without limitation, the prosecution of Causes of Action, (iv) resolving disputed Claims, (v) administering the Plan, (vi) filing all final cost reports reflecting the Debtors' operation of the Facility prior to the Closing and (vii) filing appropriate tax returns. All of the foregoing actions shall be taken by the Plan Administrator on behalf of the Reorganized Debtors. Following the Effective Date, the Reorganized Debtors shall not engage in any business activities or take any actions, except those necessary to consummate the Plan and wind up the affairs of the Reorganized Debtors.

(f) Closing of the Chapter 11 Cases. When all disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed, and all Assets have been liquidated and converted into Cash (other than those Assets abandoned), and such Cash has been distributed in accordance with the Plan, or at such earlier time as the Plan Administrator deems appropriate, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Debtors' Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

(g) Corporate Dissolution. Upon the distribution of all Assets pursuant to the Plan and the filing by the Plan Administrator of a certification to that effect with the Court (which may be included in the application for the entry of the final decree), the Reorganized Debtors shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of Reorganized Debtors or payments to be made in connection therewith, *provided, however*, that the Reorganized Debtors may take appropriate action to dissolve under applicable law and provide for the appropriate disposition of any restricted charitable donations consistent with their obligations under the APA. From and after the Effective Date, the Reorganized Debtors shall not be required to file any document, or take any action, to withdraw their business operations from any states where the Reorganized Debtors previously conducted business.

(h) Further Authorization. The Reorganized Debtors or the Plan Administrator shall be entitled to seek such orders, judgments, injunctions and rulings from the

Court, in addition to those specifically listed in the Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to the provisions of the Plan. The Court shall retain jurisdiction to enter such orders, judgments, injunctions and rulings.

(i) Causes of Action. Except as otherwise set forth in the Plan, all Causes of Action of the Debtors shall survive confirmation of the Plan and the commencement and/or prosecution of such Causes of Action by the Plan Administrator or otherwise shall not be barred or limited by *res judicata* or any estoppel, whether judicial, equitable or otherwise. The Plan Administrator shall have the authority to commence and/or prosecute Causes of Action of the Debtors and/or Reorganized Debtors. The Plan Administrator may authorize the Post Effective Date Committee to commence and/or prosecute any Causes of Action of the Debtors and/or Reorganized Debtors and, if so authorized by the Plan Administrator, the Post Effective Date Committee shall have standing to commence and/or prosecute such Causes of Action.

(j) Corporate Action. All matters provided under the Plan involving the corporate structure of the Debtors or corporate action to be taken by or required of the Debtors, shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement or further action by directors of the Debtors.

(k) Agreements, Instruments, and Documents. All organizational agreements, charter documents, instruments, and documents required under the Plan to be executed or implemented, together with such others as may be necessary, useful or appropriate in order to effectuate the Plan shall be executed on or before the Effective Date or as soon thereafter as is practicable

(l) Power and Duties of the Plan Administrator. The Plan Administrator will act for the Debtors in a fiduciary capacity as applicable to a board of directors and shall be responsible for the liquidation of the Debtors' remaining Assets, administration of the Plan and wind-down of the Debtors and their Estates post-Effective Date, subject to the provisions of the Plan. The powers and duties of the Plan Administrator shall include:

(i) to invest Cash in accordance with section 345 of the Bankruptcy Code, and withdraw and make distributions of Cash to holders of Allowed Claims and pay taxes, if any, and other obligations owed by the Reorganized 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, if any, or other obligations incurred in connection with 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) to administer the Post Confirmation Administrative Reserve and all other Assets;

(v) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld) to pay the fees and expenses for the attorneys, consultants, agents, employees and professionals engaged by the Plan Administrator and attorneys for the Post Effective Date Committee and to pay all other expenses in connection with administering the Plan and winding down the affairs of the Reorganized Debtors in each case from the Post Confirmation Administrative Reserve, subject to the terms of the Plan;

(vi) to execute and deliver all documents, and take all actions, necessary to consummate the Plan and wind-down the Reorganized Debtors' business, including, without limitation, to comply with any Exit Facility and effectuate the dissolution of the Reorganized Debtors;

(vii) with the consent of the Post Effective Date Committee, to use, sell at public or private sale, assign, transfer, abandon or otherwise dispose of any of the Assets and convert the same to Cash;

(viii) to coordinate and interface with WMC regarding the outstanding Receivables pursuant to the terms of the Services Agreement;

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

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

(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 dissolution of the Reorganized Debtors;

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

(xiv) subject to **Section 8.15** of the Plan, to object to Claims;

(xv) subject to **Section 8.16** of the Plan, to compromise and settle Claims;

(xvi) to act on behalf of the Reorganized Debtors and the Estates in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), then pending or that can be commenced in the Bankruptcy Court and in all actions and proceedings pending or commenced elsewhere, and subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld) or Order of the Bankruptcy Court, to settle, retain, enforce, dispute or adjust any claim or Causes of Action and otherwise pursue actions involving the Assets that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise waived or relinquished in the Plan;

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

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

In the event the Plan Administrator and the Post Effective Date Committee as applicable are unable to reach a unanimous consensus respecting any matters which require prior approval or consent of the Post Effective Date Committee, the Plan Administrator or Post Effective Date Committee may bring such matter to the Bankruptcy Court for resolution and the Plan Administrator shall be authorized to act in accordance with any ruling of the Bankruptcy Court. Except as specified in the Plan, the Plan Administrator may, in the ordinary course of business, satisfy any liabilities and expenses incurred by the Plan Administrator in the ordinary course of business without further notice, hearing or approval of the Bankruptcy Court.

(m) Appointment of the Plan Administrator. The initial Plan Administrator will be Chad J. Shandler. The Plan Administrator shall be deemed the Estates' representative in accordance with section 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified in the Plan, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code.

(n) Employment of Professionals. Subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), the Plan Administrator is authorized, without further order of the Bankruptcy Court, to employ such Persons, including professionals, as the Plan Administrator may deem necessary to enable it to perform its functions under the Plan. Such Persons shall be compensated and reimbursed for their reasonable and necessary fees and out-of-pocket expenses on a monthly basis from the Debtors' Estates from the Post Confirmation Administrative Reserve. The Plan Administrator and Persons employed by the Plan Administrator shall submit invoices to the Post Effective Date Committee, and if no objection to such invoices is received within ten (10) days of service, the Plan Administrator may pay such invoice without the need for Bankruptcy Court approval. If a timely objection is received the Plan Administrator may pay the undisputed portion of such invoice, may pay the disputed portion of such invoice upon resolution, and any unresolved dispute shall be resolved by the Bankruptcy Court.

(o) No Agency Relationship. The Plan Administrator shall not be deemed to be the agent of any of the holders of Claims in connection with the funds held or distributed pursuant to the Plan. The Plan Administrator shall not be liable for any mistake of fact or law or error in judgment or any act or omission of any kind unless it constitutes gross negligence or willful misconduct or breach of fiduciary duty on the part of the Plan Administrator. The Plan Administrator shall be indemnified and held harmless, including the cost of defending such claims and attorneys' fees in seeking indemnification, by the Estates against any and all claims arising out of his duties under the Plan, except to the extent his actions constituted gross negligence or willful misconduct or breach of fiduciary duty. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon any statement, instrument, opinion, report, notice, request, consent, order, or other instrument or document which he believes to be genuine and to have been signed or presented by the proper party or

parties. The Plan Administrator may rely upon information previously generated by the Debtors and such additional information provided to him by former employees of the Debtors.

(p) Plan Administrator's Bond. The Plan Administrator shall obtain and maintain a bond in an amount equal to 110% of the Cash held by the Reorganized Debtors and the Estates as of the Effective Date and thereafter.

(q) Reporting. Until a final decree closing the Chapter 11 Cases is entered, the Plan Administrator shall comply with any requisite reporting requirements established pursuant to the guidelines of the U.S Trustee. The Plan Administrator shall also provide to the Post Effective Date Committee quarterly reports regarding the wind-down of the estate which shall include, without limitation, a balance sheet, a statement of income and expenses, and update regarding ongoing liquidation and wind-down of the Reorganized Debtors' Assets. The Plan Administrator shall be available for telephone consultation with the Post Effective Date Committee as reasonably requested, and shall provide such other reports and information as the Post Effective Date Committee may reasonably request from time to time.

(r) Resignation, Death or Removal of Plan Administrator. The Plan Administrator may resign at any time upon not less than thirty (30) days' written notice to the Post Effective Date Committee. The Plan Administrator may be removed at any time by the Post Effective Date Committee for cause upon proper application to, and Final Order of, the Bankruptcy Court. In the event of the resignation, removal, death or incapacity of the Plan Administrator or any other vacancy in the position of Plan Administrator, the Post Effective Date Committee may nominate a successor Plan Administrator and the appointment will be determined by the Bankruptcy Court. No successor Plan Administrator shall in any event have any liability or responsibility for the acts or omissions of his or her predecessors.

C. Post Effective Date Committee. Pursuant to the Plan, on the Effective Date, the Committee will continue as the Post Effective Date Committee (the "Post Effective Date Committee") until such time as all distributions on account of all Allowed Unsecured Claims have been completed, at which time the Post Effective Date Committee will be dissolved and all requirements in the Plan respecting the approval of or consultation with the Post Effective Date Committee will be terminated. The Post Effective Date Committee will be comprised of the members of the Committee, unless any particular member of the Committee opts not to be a member of the Post Effective Date Committee. The Committee is currently a defendant in an adversary proceeding commenced by the Debtors (Adversary Proceeding No. 14-09007). After the Effective Date, the Post Effective Date Committee shall have standing and authority to continue the defense and prosecution of the Committee's position as a defendant in Adversary Proceeding No. 14-09007.

D. Post Effective Date Fees and Expenses. From and after the Effective Date, the Reorganized Debtors and their Estates shall be responsible for the payment of all reasonable and necessary fees and expenses of professionals retained by the Post Effective Date Committee from the Post Confirmation Administrative Reserve. The Post Effective Date Committee's professionals shall submit invoices to the Plan Administrator and if no objection to such invoices are received within ten (10) days of service, the Plan Administrator may pay such invoice without the need for Bankruptcy Court approval. If a timely objection is received the Plan

Administrator may pay the undisputed portion of such invoice, may pay the disputed portion of such invoice upon resolution, and any unresolved dispute shall be resolved by the Bankruptcy Court.

E. Distributions to Holders of Claims.

1. No Distributions on Account of Claims That Have Not Become Allowed Claims. Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Claim that has not become an Allowed Claim, except that the Plan Administrator may distribute consideration attributable to any undisputed portion of a Claim and withhold the remainder.

2. Reserves for Claims That Have Not Become Allowed Claims. Distributions on account of Claims that have not become Allowed Claims shall be governed by the following provisions:

Except as otherwise provided under the Plan, the Plan Administrator shall not be required to withhold funds or consideration, designate reserves, or make other provisions for the payment of any Claims that have been disallowed by a Final Order of the Bankruptcy Court.

Except as otherwise provided in the Plan, the Plan Administrator, shall be required to reserve funds, designate reserves, or make other provisions for the payment of any Claims that have been disallowed by an order of the Bankruptcy Court until such order becomes a Final Order.

With respect to Claims that have not become Allowed Claims and that are not governed by subparagraph (1) or subparagraph (2) above, the Plan Administrator shall reserve sufficient funds to allow for a distribution in accordance with the terms of the Plan, on account of the distribution attributable to such holders' Claims or as otherwise provided pursuant to any order of the Bankruptcy Court with respect to the amount, if any, to be reserved; provided, however, that the Plan Administrator, as applicable, shall distribute consideration attributable to any undisputed portion and shall withhold and reserve the remainder. The Bankruptcy Court may, after notice and a hearing (as defined in Bankruptcy Code section 102), fix a lesser amount than the distribution amount as the amount on account of which consideration shall be withheld. In the case of Claims not stating an amount, the Plan Administrator, or any holder of such Claims may request that the Bankruptcy Court, after notice and a hearing (as defined in Bankruptcy Code section 102), determine an amount. Cash withheld pursuant to this subparagraph will be held in a segregated, interest-bearing fund or funds. Such Cash will be released when and if Claims are Allowed and disallowed and shall be distributed in accordance with the Plan.

3. Persons Responsible for Distribution of Plan Consideration. The Plan Administrator shall disburse all consideration to be distributed under the Plan and shall act as a disbursing agent. For the avoidance of doubt, with respect to any distribution constituting New Hospital Bonds, such bonds shall be exchanged through DTC, to the holders of Existing Bonds of record as of the Distribution Record Date and all other distributions under the Plan relating to the Existing Bonds shall be made to the Bond Trustee.

4. Unclaimed Cash. If any Person entitled to receive Cash under the Plan cannot be located on the date a distribution under the Plan is due, such Cash will be set aside and held in a segregated fund to be maintained by the Plan Administrator. If such Person is located within one hundred and twenty (120) days of the date of distribution, such Cash will be paid to such Person. If such Person cannot be located within one hundred and twenty (120) days of the date of distribution, any such Cash and accrued interest thereon shall be released to the Plan Administrator and distributed in accordance with the Plan and such Person shall not be entitled to any amounts in connection with such distribution or any subsequent distribution and the Claims of such person to which such Cash relates shall be discharged and forever barred from assertion against the Reorganized Debtors and their property or the Plan Administrator. Nothing contained in the Plan shall require the Plan Administrator to attempt to locate such Person. It is the obligation of each Person claiming rights under the Plan to keep the Plan Administrator advised of their current address by sending written notice of any changes to the Plan Administrator.

5. Unnegotiated Distribution Checks. Checks or drafts issued pursuant to the Plan to Persons holding Allowed Claims and not presented for payment within one hundred and twenty (120) days following mailing thereof to the last known address of such Person shall be deemed nonnegotiable thereafter. Any Claim in respect of such distribution shall be discharged and forever barred from assertion against the Reorganized Debtors and their property or the Plan Administrator.

6. Fractional Dollars. Any other provision of the Plan notwithstanding, no payments of fractional dollars will be made to any holder of an Allowed Claim. Whenever any payment of a fraction of a dollar to any holder of an Allowed Claim would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest whole dollar (up or down).

7. Distribution Dates. Whenever any distribution to be made under the Plan is due on a day other than a Business Day, such distribution will instead be made, without penalty or interest, on the next Business Day.

8. Bankruptcy Code Sections 509, and 510. Distributions under the Plan will be governed by the provisions of Bankruptcy Code sections 509 or 510 where applicable.

9. Distributions to be Applied First to Administrative and Priority Claims. To the extent any holder of an Allowed Claim receives any distribution(s) under the Plan by the Plan Administrator on account of such Claims, said distribution(s) shall be applied by the recipient first to satisfy any Allowed Administrative Claims, Allowed Priority Tax Claims, or other Allowed Claims of the recipient against the Debtors which are entitled to priority under Bankruptcy Code sections 503 or 507 and, only after all such priority Claims are fully satisfied, to any Allowed Claims not entitled to such priority.

10. Estimation of Claims. The Plan Administrator may, at any time, request that the Bankruptcy Court (or District Court, as applicable) estimate any Claim not expressly Allowed by the terms of the Plan and otherwise subject to estimation under section 502(c) of the Bankruptcy Code and for which the Debtors may be liable under the Plan, including any Claim

for taxes, to the extent permitted by section 502(c) of the Bankruptcy Code, regardless of whether any party-in-interest previously objected to such Claim. In the event that the Bankruptcy Court (or District Court, as applicable) estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court (or District Court, as applicable). If the estimated amount constitutes a maximum limitation on such Claim, the Plan Administrator may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated by the Bankruptcy Court (or District Court, as applicable) and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court (or District Court, as applicable).

11. Chapter 5 Provisions. No distribution or payment shall be made to any holder of an Allowed Claim who is also a potential defendant in an avoidance action under Chapter 5 of the Bankruptcy Code until a decision is made by the Plan Administrator not to commence the potential avoidance action, or, in the event the potential avoidance action is commenced by the Plan Administrator, until resolution of such avoidance action. Notwithstanding the foregoing, the making of a distribution to such potential defendant or the lack of any objection filed to such Allowed Claim on the basis of such potential avoidance action, shall not constitute a waiver of any rights of the Debtors or the Plan Administrator, as the case may be. For purposes of the Plan, such distribution or payment on account of such Allowed Claim shall be held in reserve as if it were a disputed Claim. For the avoidance of doubt, the foregoing terms shall not apply to the Bond Claim.

12. Third-Party Agreements. Except as set forth in the Plan, all subordination agreements entered into by any parties-in-interest shall be enforceable to the extent permitted by applicable law.

13. Orders Respecting Claims Distribution. After confirmation of the Plan, the Bankruptcy Court shall retain jurisdiction to enter orders in aid of consummation of the Plan with respect to distributions under the Plan and to resolve any disputes concerning distributions under the Plan.

14. Special Provisions for Treatment of Medical Malpractice/Personal Injury/Worker's Compensation Claims.

(a) Distributions under the Plan to each holder of a Claim asserted or which can be asserted against any of the Debtors on account of or related to purported liability resulting either from the provision of medical services, including personal injury or wrongful death claims, or any other personal injury or worker's compensation claim, shall be in accordance with the treatment provided under the Plan for Unsecured Claims as applicable; provided, however, no distributions shall be made, and no reserve shall be made by the Plan Administrator for any amount, for or attributable to any portion of such a Claim that is covered by insurance.

(b) Nothing in **Section 8.14** of the Plan is intended to, shall, or shall be deemed to preclude any holder of a Claim of the type described in **Section 8.14** from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors.

(c) The Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted in any proof of claim or the Debtors rights and defenses to such proofs of claim.

15. Objections to Claims. As soon as practicable, but in no event later than one hundred and eighty (180) days after the Effective Date, the Plan Administrator may object to the allowance of any Claim ***provided, however,*** the Plan Administrator may not object to any Claim once it becomes an Allowed Claim. The foregoing deadline may be extended by the Bankruptcy Court upon request of the Plan Administrator upon notice to the Post Effective Date Committee, and such other parties as shall request such notice after the confirmation of the Plan. Nothing contained herein, however, shall limit the right of the Plan Administrator to object to Claims, if any, filed or amended after the Effective Date.

16. Settlement of Disputed Claims.

(i) Pursuant to Bankruptcy Rule 9019(b), subject to **Section 8.16(b)** of the Plan, the Plan Administrator may settle any disputed Claim, respectively, without notice, or Bankruptcy Court approval.

(ii) The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of (i) any disputed Administrative Claim, Priority Tax Claim, Secured Claim, or Unsecured Priority Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Claim being Allowed in an amount in excess of $25,000, and (ii) any disputed Unsecured Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Claim being allowed in an amount in excess of $200,000. 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. 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 further notice or Court approval. If a written objection is timely received, the Plan Administrator 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 Post Effective Date Committee may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice. Alternatively, the Plan Administrator may seek Court approval of the proposed settlement upon expedited notice and a hearing.

17. Setoffs. The Plan Administrator may, pursuant to and in accordance with Bankruptcy Code section 553 or applicable nonbankruptcy law, except as otherwise set forth in the Plan, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim, the claims, rights and causes of action of any nature that the Debtors may hold against the holder of such Allowed Claim, provided that the Plan Administrator gives the holder of such Allowed Claim notice of the proposed setoff and the holder of such Allowed Claim does not object to the proposed setoff within thirty (30) days; provided further, however, if the holder of such Allowed Claim timely objects to the proposed setoff, the setoff may not be effectuated without prior approval of the Bankruptcy Court; provided further, however, that neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtors or Plan Administrator of any such claims, rights and causes of action that the Debtors may possess against such holder.

18. Distribution Cap**.** Except to the extent consistent with the treatment set forth in the Plan, no holder of an Allowed Claim shall receive in respect of that Claim any distribution in excess of the Allowed amount of that Claim.

19. De Minimus Distributions. Notwithstanding anything to the contrary contained herein or in the Plan, if the amount of Cash to be distributed to the holder of an Allowed Claim is less than $20, the Plan Administrator may hold the Cash Distributions to be made to such holder until the aggregate amount of Cash to be distributed to such holder is in an amount equal to or greater than $20, if the Plan Administrator determines that the cost to distribute such Cash is unreasonable in relation to the amount of Cash to be distributed. Notwithstanding the preceding sentence, if the amount of Cash Distribution to such holder never aggregates to more than $20, then on the final Distribution Date, the Plan Administrator shall distribute such Cash to the holder entitled thereto.

20. Withholding Taxes. In connection with the Plan, to the extent applicable, the Plan Administrator shall comply with all withholding and reporting requirements imposed on it by federal, state and local taxing authorities, and all distributions shall be subject to such withholding and reporting requirements. All Claims held by any holder of a Claim that fails to provide information reasonably requested by the Plan Administration in connection with such matters shall be discharged and forever barred from assertion against the Reorganized Debtors or their property.

21. Distribution Record Date**.** Except as otherwise provided in a Final Order of the Bankruptcy Court or as otherwise stipulated by the Debtor or Reorganized Debtor, as applicable, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the Holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Distribution Record Date. The Reorganized Debtors shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Record Date. In making any distribution with respect to any Claim, the Reorganized Debtor shall be entitled instead to recognize and deal with, for all purposes, only the Entity that is listed on the Proof of Claim Filed with respect thereto or on the Schedules as the Holder thereof as of the close of business on the Distribution Record Date and upon such other evidence or record of transfer or assignment that are known to the Reorganized Debtor as applicable, as of the

Distribution Record Date. Except as expressly set forth in the Plan, the foregoing shall not apply to the Bond Claim.

V. EFFECT OF THE PLAN ON CLAIMS, INTERESTS AND CAUSES OF ACTION

A. Satisfaction of Claims**.** Holders of Claims shall receive the distributions provided for in the Plan, if any, in full settlement and satisfaction of the Debtors' obligations thereunder, and any interest accrued thereon.

B. Interest on Claims. Except as specifically provided for in the Plan or the Confirmation Order, interest shall not accrue on Claims and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

C. **Releases by the Debtors. Pursuant to section 1123(b) of the Bankruptcy Code and except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtor(s) and the Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtor(s), the Estates or their affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Existing Bonds, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Asset Sale, the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents (collectively, the "Debtor Released Claims").**

D. **Releases by Holders of Claims. . As of the Effective Date and except as set forth in the Plan, each holder of a Claim or Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Person would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Existing Bonds, the Debtors' restructuring, the Debtors' Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual**

arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Asset Sale, the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents (collectively, "Released Claims"), other than Released Claims against a Released Party arising out of or relating to any act or omission of that Released Party constituting willful misconduct, criminal conduct, or gross negligence. No provision of the Plan, including without limitation, any release or exculpation provision, shall modify, release, or otherwise limit the liability of any Person other than the Released Parties and the Exculpated Parties, including without limitation, any Person that is a co-obligor, guarantor or joint tortfeasor of a Released Party or Exculpated Party or that otherwise is liable under theories of vicarious or other derivative liability and notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond documents.

Under applicable law, non-debtor releases are appropriate when, among other things: (i) the estate has received substantial consideration, (ii) the released claims would indirectly impact the reorganization by giving rise to claims of indemnification or contribution, (iii) the plan otherwise provides for the full payment of the released claims, or (iv) the affected creditors consent. *See, e.g., In re Metromedia Fiber Network, Inc.*, 416 F.3d 136 (2d Cir. 2005).

In considering these factors, the Released Parties have provided substantial consideration to the Debtors' estates, including but not limited to, (i) the entry into the 9019 Settlement which avoided protracted litigation and extensive costs to the Debtors' estate, (ii) the provision of the 9019 Contribution by the holders of the Existing Bonds which provided for the necessary funds to confirm the Plan, (iii) the Purchaser's acquisition of the Purchased Assets, (iv) the Purchaser's carve-out of the Excluded Assets which will be remnant assets of the estates, and (v) the Purchaser's provision of the Exit Facility in order to fund the Plan and the wind down of the Debtors' estates. In addition, the releases provided to the Bond Trustee and the holders of the Existing Bonds are consistent with, and are an essential part, of the terms and conditions of the 9019 Settlement.

Further, to the extent a party votes to accept the Plan, such party shall have the option to "opt out" of the releases provided for in Section 10.4 of the Plan. To the extent a holder of a Claim votes to accept the Plan, and did not otherwise opt out, such holder of a Claim shall be bound by the release in Section 10.4 of the Plan. To the extent a holder of a Claim or Interest either (i) votes to reject the Plan, (ii) did not vote on the Plan or (iii) votes to accept this Plan but opted out, such holder of a Claim or Interest shall not be bound by the release in Section 10.4 of the Plan unless such holder of a Claim or Interest specifically opted to accept the release in Section 10.4 of the Plan.

In this case, it is the Debtors' belief that the foregoing releases are appropriate under and consistent with applicable law. The Bankruptcy Court will determine the issue of whether the releases are appropriate at the Confirmation Hearing.

E. **Exculpation. Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim, obligation, cause of action or liability for any Exculpated Claim, except for gross negligence, willful misconduct, criminal conduct, breaches of fiduciary duties, or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct, but in all respects such Persons shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtors and each Exculpated Party (and each of their respective affiliates, agents, directors, members, officers, employees, advisors and attorneys) have, and upon Confirmation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and applicable non-bankruptcy law with regard to the solicitation and distribution of securities pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.**

F. **Injunction. Except as otherwise provided in the Plan or Confirmation Order, as of the Effective Date all Persons that hold a Claim are permanently enjoined from taking any of the following actions against the Released Parties or any of their respective successors or assigns, or any of their respective assets or properties, on account of any Claim: (1) commencing or continuing in any manner any action or other proceeding with respect to a Claim; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a Claim; (3) creating, perfecting or enforcing any lien or encumbrance with respect to a Claim; or (4) commencing or continuing any action that does not comply with or is inconsistent with the Plan; provided, however, nothing in this injunction shall preclude the holder of a Claim from pursing any available insurance after the Chapter 11 Cases are closed or from seeking discovery in actions against third parties; and provided further that and notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.**

G. No Recourse. Notwithstanding that the Allowed amount of any particular Claim is reconsidered under the applicable provisions of the Bankruptcy Code and Bankruptcy Rules or is Allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse against the Debtors, the Estates, the Plan Administrator, the Released Parties or any of their respective professionals, consultants, officers, directors or members or their successors or assigns, or any of their respective property. However, except as specifically stated otherwise in the Plan, nothing in the Plan shall modify any right of a holder of a Claim under section 502(j) of the Bankruptcy Code.

H. Abandoned Property. Any and all property whose abandonment is or has been approved by the Bankruptcy Court pursuant to the Bankruptcy Code shall remain abandoned forever; shall not thereafter be deemed to be property of the Debtors or the Plan Administrator;

shall not at any time re-vest in the Debtors, and shall not otherwise, whether by conveyance or otherwise, ever become the property of the Debtors or their Estates.

I. Post-Effective Date Effect of Evidences of Claims. Notes, shareholder certificates, and other evidences of liens or Claims against the Debtors shall, effective upon the Effective Date, represent only the right to participate in the distributions or rights, if any, contemplated by the Plan.

J. Surrender of Instruments and Release of Liens. Except as otherwise provided in the Plan or the Confirmation Order, each holder of an instrument evidencing a Claim against the Debtors or any of the property of the Debtors shall surrender such instrument to the Debtors or Plan Administrator, as applicable, and the Debtors or Plan Administrator shall distribute to the holder thereof the distributions provided for in the Plan. No distribution under the Plan shall be made to or on behalf of any holder of such Claim unless and until such instrument is received or the non-availability of such instrument is established to the satisfaction of the Debtors or Plan Administrator. Each Person who is to receive distributions under the Plan in complete satisfaction of a Secured Claim shall not receive such distributions until such Creditor executes the release of its liens (in recordable form if requested by the Plan Administrator) and delivers the release to the Plan Administrator. Any such Person who fails to surrender such instrument or satisfactorily explain its non-availability or execute and deliver such release of liens within ten (10) days of the date such surrender, explanation, execution, or delivery as requested by the Plan Administrator shall be deemed to have no further Claim against the Debtors or property of the Debtors, shall not participate in any distribution under the Plan, and in such event upon motion of the Debtors and/or the Plan Administrator accompanied by appropriate evidence of such failure by affidavit or otherwise, the Bankruptcy Court may enter an order requiring the act to be done at the cost of such Person by the Debtors and providing that such act when so done shall have like effect as if done by such Person or any other appropriate order. Notwithstanding the foregoing, the release and surrender provisions set forth in **Section 10.10** of the Plan shall not apply to the Bond Trustee for or the beneficial owners of the Existing Bonds.

K. Cancellation of Instruments**.** Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Existing Bonds shall be cancelled, and the Existing Bonds and related Bond Documents shall continue in effect solely to the extent they relate to and are necessary to (i) allow applicable distributions pursuant to the Plan, (ii) permit the Bond Trustee to be compensated for fees and reimbursed for expenses including expenses of its professionals, assert its charging lien, enforce its indemnity and other rights and protections with respect to and pursuant to the Bond Documents, (iii) permit the Bond Trustee to set one or more record dates and distributions dates with respect to the distribution of funds to beneficial holders of the Existing Bonds, as applicable, (iv) permit the Bond Trustee to appear in the Chapter 11 Cases, and (v) permit the Bond Trustee to perform any functions that are necessary in connection with the foregoing clauses (i) through (iv).

L. **Term of Stays. Except as otherwise provided in the Plan, all injunctions and the stay provided for in the Debtors' Chapter 11 Cases pursuant to Bankruptcy Code section 362, shall remain in full force and effect until the Reorganized Debtors' Chapter 11 Cases are closed.**

Except as otherwise provided in the Plan, upon entry of the Confirmation Order, all Persons or entities who have held, hold, or may hold Claims or membership or other Interests in the Debtors are permanently enjoined, on and after the Effective Date, with respect to all Claims and membership and other Interests in the Debtors from (a) commencing, conducting or continuing in any manner, directly or indirectly, any proceeding of any kind against or affecting the Debtors, the Released Parties, the Plan Administrator, or their property, (b) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any means or manner, whether directly or indirectly, any judgment, award, decree, or order against the Debtors, the Released Parties, the Plan Administrator, or their property, (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Released Parties, the Plan Administrator, or their property, (d) asserting any right of setoff, directly or indirectly, against any obligation due the Debtors, the Released Parties, the Plan Administrator, or their property, except as contemplated or allowed by the Plan, the Bankruptcy Code, or applicable law, (e) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan, (f) commencing, continuing or asserting in any manner any action or other proceeding of any kind with respect to any Claims and causes of action which are extinguished or released pursuant to the Plan, and (g) taking any action to interfere with the implementation and consummation of the Plan. Notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.

VI. EXECUTORY CONTRACTS

A. Assumption of Transferred Contracts. Pursuant to the Sale Order and the APA, the Assigned Contracts shall be assumed and assigned pursuant to Bankruptcy Code Section 365 as of the Asset Sale Closing Date.

B. Rejection of Excluded Contracts. Except as otherwise set forth in the Plan each contract of the Debtors that is not an Assigned Contract that has not expired by its own terms before the Asset Sale Closing Date shall be rejected as of the Asset Sale Closing Date. As of the Asset Sale Closing Date, except as otherwise set forth in the APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded shall be terminated and deemed rejected. Except as otherwise set forth in the APA, all employees currently employed by the Debtors under such agreements as of the Asset Sale Closing Date shall be terminated thereon.

C. Rejection Damages. Any Claim for damages arising from the rejection of any executory contract or unexpired lease under the Plan must be filed with the Court and served upon the Debtors within forty five (45) days after the Asset Sale Closing Date or such other deadline established by the Court. Any Claim arising from the rejection of an executory contract or unexpired lease not filed within such time will be forever barred from receiving any

distribution under the Plan or asserting any Claims against the Debtors, the Estates or the Plan Administrator.

D. Insurance Contracts. The Debtors do not believe that any insurance policies issued to, or insurance agreements entered into prior to the Petition Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything contained in the Plan to the contrary, the Plan will constitute a motion to assume such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order will constitute approval of such assumption, pursuant to § 365(a) of the Bankruptcy Code. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy or agreement.

E. **Retiree Health Insurance Benefits. Pursuant to Section 7.5 the Plan, to the extent not previously terminated by the Debtors, as of the Effective Date, the Retiree Health Insurance Benefits shall be terminated and no further payments shall be made under such Retiree Health Insurance Benefits to any participants.** Under the Debtors' current existing Retiree Health Insurance Benefit plan, the Debtors have "the right to modify the Retiree benefit program, as it deems necessary." Moreover, the existing Retiree Health Insurance Benefit plan does not guarantee payment of coverage for any set period or time. Section 1114 of the Bankruptcy Code does not limit a debtor's ability to terminate benefits during a bankruptcy when it reserved the right to do so in the applicable plan documents. See In re Delphi Corp., No. 05-44481, 2009 WL 637259, at *2 (S.D.N.Y. Mar. 10, 2009). Here, the Debtors reserved the right to modify, which includes the right to terminate, its Retiree Health Insurance Benefits plan unilaterally. As of the Petition Date, there were approximately 93 participants in the Retiree Health Insurance Benefits plan which cost the Debtors less than $40,000 per year. In January 2014, the Debtors sent a notice to all of the participants, consistent with its rights under their Retiree Health Insurance Benefits plan notifying participants that, the program "ceased effective as of the Petition Date." Although the Debtors received inquiries regarding this notice, no participants formally objected to the cessation of benefits. In order to facilitate the orderly and timely liquidation of the Debtors' estates, and in an abundance of caution, the Debtors have determined that it is necessary to memorialize the termination of the Retiree Health Insurance Benefits in the Plan. .

VII. CONDITIONS TO CONFIRMATION AND OCCURRENCE OF EFFECTIVE DATE

A. Conditions to Confirmation. Confirmation of the Plan shall not occur and the Bankruptcy Court shall not enter the Confirmation Order unless (i) all of the requirements of the Bankruptcy Code for Confirmation of the Plan with respect to the Debtors shall have been satisfied and receipt of approval of the waiver of transfer taxes in connection with the Asset Sale under section 1146(a) of the Bankruptcy Code is obtained from the Bankruptcy Court; (ii) the Bankruptcy Court shall have entered the Sale Order; and (iii) the Plan Documents, including the New Hospital Bond Documents, shall be in form and substance satisfactory to the Debtors, Purchaser and the Bond Trustee; and (iv) the documents relating to the Exit Facility and any other documents that relate to the outstanding Receivables shall be acceptable to WMC in its

sole and absolute discretion. If Confirmation shall not occur, the Plan shall be null and void and shall have no force nor effect, and the Plan shall be deemed withdrawn unless the Bankruptcy Court shall have entered all orders (which may be orders included within the Confirmation Order) required to implement the Plan.

B. Waiver and Nonfulfillment of Conditions to Confirmation. In the event that the Debtors determine that the conditions to confirmation which they may waive cannot be satisfied and should not, in their sole discretion, be waived, the Debtors may propose a new plan, may modify the Plan as permitted by law, or may request other appropriate relief. The Debtors cannot waive that condition specified in **Section 9.1(iii)** without the written consent of the Bond Trustee.

C. Confirmation Order Provisions for Pre-Effective Date Actions. The Confirmation Order shall empower and authorize the Debtors to take or cause to be taken, prior to the Effective Date, all actions which are necessary to enable it to implement the provisions of the Plan and satisfy all other conditions precedent to the effectiveness of the Plan.

D. Conditions to Effective Date. The Effective Date shall not occur unless: (a) the Bankruptcy Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to the Debtors, WMC, the Bond Trustee and the Committee; (b) the Plan Documents, including the New Hospital Bond Documents, shall be in form and substance satisfactory to the Debtors, the Bond Trustee and Purchaser; (c) the documents relating to the Exit Facility and any other documents that relate to the outstanding Receivables shall be acceptable to WMC in its sole and absolute discretion; (d) no request for revocation of the Confirmation Order under Bankruptcy Code section 1144 shall have been made and still be pending; (e) all conditions precedent to the issuance of the New Hospital Bonds shall have been satisfied or waived, including the requirements that nationally recognized bond counsel is prepared to issue an opinion acceptable to the Bond Trustee that interest income from the New Hospital Bonds will be exempt from federal income taxation; and (f) the Asset Sale Closing Date shall have occurred.

E. Nonfulfillment of Conditions to Effective Date. In the event that the Debtors determine that the conditions to the Effective Date set forth in the immediately foregoing paragraph of the Plan cannot be satisfied, or if the Effective Date does not occur on or before May 9, 2014, the Plan shall be null and void and shall have no force nor effect, and the Plan shall be deemed withdrawn. Under the foregoing conditions, (i) the 9019 Settlement shall be deemed withdrawn and of no force or effect absent the written consent of the Bond Trustee, and (ii) the Debtors may propose a new plan, may modify the Plan as permitted by law, or may request other appropriate relief. The Debtors shall not waive the conditions specified in (A) **Section 9.4** or the deadline for the occurrence of the Effective Date specified in **Section 9.5** without the prior written consent of the Bond Trustee; and (B) **Sections 9.4(a),(c),or (d)** or the deadline for the occurrence of the Effective Date specified in **Section 9.5** without the prior written consent of the Committee.

F. Effective Date Events. On the Effective Date, the following actions shall have taken place: (a) all payments to be made on the Effective Date and all other actions to be taken on or before the Effective Date pursuant to the Plan by the Reorganized Debtors shall be made or

taken or duly provided for; (b) any documents, including orders or agreements, necessary to implement the Plan as of the Effective Date must be executed; and (c) all other events and actions specified in the Plan to occur on the Effective Date. Within seven (7) days of the occurrence of the Effective Date, the Plan Administrator or Reorganized Debtors shall file a notice of occurrence of the Effective Date with the Bankruptcy Court.

VIII. CONFIRMABILITY AND SEVERABILITY OF A PLAN AND CRAMDOWN

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) is accepted by all Classes of Claims and Interests or, if rejected by an impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (ii) is feasible and (iii) is in the "best interests" of holders of Claims and Interests impaired under the Plan.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all classes. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code, which provides that a plan can be confirmed even if it has not been accepted by all impaired classes of claims and equity interests as long as at least one impaired class of non-insider claims has voted to accept the plan and the plan "does not discriminate unfairly" and is "fair and equitable" with respect to each class of impaired claims and interests.

1. Confirmability and Severability of a Plan. Subject to **Sections 11.2 and 11.3** of the Plan, the Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan. If the Debtors revoke or withdraw the Plan then nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors, or to prejudice in any manner the rights of the Debtors or any persons in any further proceedings involving the Debtors. A determination by the Bankruptcy Court that the Plan is not confirmable pursuant to section 1129 of the Bankruptcy Code shall not limit or affect the Debtors' ability to modify the Plan to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code. Each provision of the Plan shall be considered separable and, if for any reason any provision or provisions therein are determined to be invalid and contrary to any existing or future law, the balance of the Plan shall be given effect without relation to the invalid provision.

2. Cramdown. The Debtors shall have the right to request the Bankruptcy Court to confirm the Plan in accordance with section 1129(b) of the Bankruptcy.

IX. ADMINISTRATIVE PROVISIONS

1. Retention of Jurisdiction. Notwithstanding entry of the Confirmation Order or the Effective Date having occurred, the Bankruptcy Court will retain jurisdiction to the fullest extent permitted by law, including jurisdiction to enter any orders or to take any action specified in the Plan, and including, without limitation, the following:

(i) To determine any motion, adversary proceeding, avoidance action, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;

(ii) To hear and determine applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom;

(iii) To ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;

(iv) To hear and determine objections to the allowance of Claims, whether filed, asserted or made before or after the Effective Date, including, without limitation, to hear and determine objections to the classification of Claims and the allowance or disallowance of disputed Claims, in whole or in part;

(v) To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim;

(vi) To enter, implement, or enforce such Orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(vii) To issue injunctions, enter and implement other Orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order or any other Order of the Bankruptcy Court;

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

(ix) To hear and determine all Fee Claims;

(x) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the Sale Order or any transactions or payments contemplated hereby or thereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(xi) To take any action and issue such Orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan, including any release or injunction provisions set forth herein or in the Plan, or to maintain the integrity of the Plan following consummation;

(xii) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(xiii) To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146;

(xiv) To enter a final decree closing the Reorganized Debtors' Chapter 11 Cases;

(xv) To recover all Assets of the Debtors and property of the Estates, wherever located; and

(xvi) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code, title 28 of the United States Code and other applicable law.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Cases, including with respect to the matters set forth above, the foregoing terms shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

2. Governing Law. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflicts of laws, shall govern the rights, obligations, construction, and implementation of the Plan transactions consummated or to be consummated in connection therewith.

3. No Admissions. Notwithstanding anything herein or in the Plan to the contrary, nothing contained in the Plan or in this Disclosure Statement shall be deemed as an admission by any Person with respect to any matter set forth herein.

4. Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date. Any statutory fees accruing after the Confirmation Date shall be paid in accordance with the Plan.

5. Amendments.

(a) Pre-confirmation Amendment. With the consent of the Committee, Bond Trustee and Purchaser, the Debtors may modify the Plan at any time prior to the entry of the Confirmation Order provided that the Plan, as modified, and the Disclosure Statement pertaining thereto meet applicable Bankruptcy Code requirements of section 1125 of the Bankruptcy Code, among others.

(b) Post-confirmation Amendment Not Requiring Resolicitation. After the entry of the Confirmation Order, and with the consent of the Committee, the Bond Trustee and Purchaser, the Debtors may modify the Plan to remedy any defect or omission or to reconcile any inconsistencies in the Plan or in the Confirmation Order, as may be necessary to carry out the purposes and effects of the Plan, provided that: (i) the Debtors obtain approval of the Bankruptcy Court for such modification, after notice and a hearing; and (ii) such modification shall not materially and adversely affect the interests, rights, treatment, or Distributions of any Class under the Plan.

6. Exemption from Transfer Taxes. Pursuant to Bankruptcy Code section 1146(a), the issuance, transfer or exchange of notes or equity securities under the Plan, the creation or amendment of any mortgage, deed of trust or other security interest, the making or assignment of any lease or the making or delivery of any deed or other instrument of transfer,

under, in furtherance of or in connection with the Plan, and any sale of the Assets pursuant to the APA and Sale Order or in furtherance of or in connection therewith, shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax.

7. Successors and Assigns. From and after the Effective Date, the rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Person. The provisions of the Plan shall bind all holders of Claims, whether or not they have accepted the Plan.

8. Controlling Documents. (i) in the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence; and (ii) in the event and to the extent that any provision of the Plan or Confirmation Order is inconsistent with the Sale Order or APA, the Sale Order or APA, as the case may be, shall control.

X. ESTIMATED DISTRIBUTIONS

The Debtors currently estimate that approximately $10.5 million to $23.8 million could be available to satisfy Allowed Administrative Claims, Fee Claims, U.S. Trustee Fees, Priority Tax Claims, Class 1 Secured Tax Claims, Class 3 Other Secured Claims, Class 4 Unsecured Priority Claims and Class 5 General Unsecured Claims. As noted Class 2 Bond Claims will receive New Hospital Bonds and certain funds held under the Bond Documents in satisfaction of the Bond Claims.

The estimated distribution amounts set forth in this Disclosure Statement do not include any potential recoveries from Causes of Action that may be pursued in the future by the Plan Administrator. Unless otherwise provided in the Plan, all Causes of Action are preserved for the Debtors and their Estates. The likely proceeds of the Causes of Action are uncertain and highly speculative at this point. Accordingly, the Debtors are unable to project what recovery may be realized through the prosecution of the Causes of Action.

The Debtors cannot reasonably estimate the amount that will ultimately be available to satisfy Claims if the Plan is confirmed, but the Debtors will have sufficient Assets to satisfy Allowed Administrative Claims, Fee Claims, Priority Tax Claims, U.S. Trustee Claims, Class 4 Unsecured Priority Claims, and to make a distribution on account of Class 5 General Unsecured Claims.

XI. VOTING REQUIREMENTS, ACCEPTANCE, CONFIRMATION AND CONSUMMATION OF THE PLAN

A. General.

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that: (i) the Plan classifies Claims in a permissible manner; (ii) the Plan complies with the applicable provisions of the Bankruptcy Code; (iii) the Debtors complied with the applicable provisions of the Bankruptcy Code; (iv) the Debtors have proposed the Plan in good faith and not by any means

forbidden by law; (v) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of holders of Claims, except to the extent that "cram-down" is available under section 1129(b) of the Bankruptcy Code (see below discussion on "Cram-down," **Section G**), (vii) the Plan is feasible and confirmation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors, unless such liquidation is proposed under the Plan; (viii) the Plan is in the "best interests" of all holders of Claims in an impaired Class by providing to such holders on account of their Claims property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a Chapter 7 liquidation, unless each holder of a Claim in such Class has accepted the Plan (see **Section XI**, I entitled "Best Interests of Creditors"); (ix) all fees and expenses payable under 28 U.S.C. § 1930 (relating to bankruptcy fees payable to the clerk of the Bankruptcy Court and U.S. Trustee Fees) have been paid or the Plan provides for the payment of such fees on the Effective Date; and (x) the Debtors must have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtors or as successor to the Debtors under the Plan, and the appointment to or continuance in such office by such individual must be consistent with public policy.

The Debtors believe that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code. Certain of these requirements are discussed in more detail below. The Debtors have proposed the Plan in good faith.

B. Eligibility to Vote.

Pursuant to the Bankruptcy Code, only classes of claims against or interests of a debtor that are "impaired" (within the meaning of section 1124 of the Bankruptcy Code) under the terms and provisions of a plan of reorganization or liquidation are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of claims and interests that are not impaired are not entitled to vote on a plan and, under section 1126(f) of the Bankruptcy Code, are conclusively presumed to have accepted a plan. Therefore, the votes of holders of such unimpaired Classes are not being solicited. In addition, under section 1126(g), Classes of impaired Claims and Interests that receive no distributions under the Plan are deemed to have rejected the Plan and the votes of such holders will not be solicited. See "Summary of Classification and Treatment of Claims under the Plan" for a summary of the classification and treatment of Claims under the Plan, as well as a designation of whether each Class is impaired or unimpaired.

Under the Plan, only holders of Class 2 Bond Claims and Allowed Class 5 Unsecured Claims are impaired and entitled to vote to accept or reject the Plan. Any Claim in a Class entitled to vote as to which an objection has been filed and has not been withdrawn or dismissed prior to the Confirmation Hearing is not entitled to vote unless the Bankruptcy Court, pursuant to Bankruptcy Rule 3018(a) and upon application of the holder whose Claim has been objected to, temporarily allows the Claim in an amount that the Bankruptcy Court deems proper solely for the purpose of accepting or rejecting the Plan. Claims filed after the deadline to file proofs, unless deemed timely filed by the Bankruptcy Court, also are not entitled to vote.

C. Estimation and Temporary Allowance of Claims.

Pursuant to section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting and other purposes. The Debtors or holders of particular Claims may seek an order of the Bankruptcy Court temporarily allowing, for voting purposes only, certain Disputed Claims.

D. Acceptance Requirements.

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by Creditors that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class who actually vote for acceptance or rejection of a plan. The vote of a holder of a Claim may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

E. Transmission of Ballots.

All holders of undisputed Class 2 Bond Claims and Allowed Class 5 Unsecured Claims (including any Claims that are temporarily Allowed for voting purposes) as of March 17, 2014 are entitled to vote to accept or reject the Plan and may do so by completing the appropriate ballot which is enclosed with this Disclosure Statement. Holders of Class 2 Bond Claims should carefully review the Ballots for instructions that are specific to Claims in that Class. In most cases, each ballot enclosed with this Disclosure Statement has been encoded with the amount of your Claim for voting purposes (if your Claim is a Disputed Claim, this amount may not be the amount ultimately allowed for purposes of distributions under the Plan) and the Class to which your Claim relates. PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS ACCOMPANYING THE ENCLOSED BALLOT, AS DESCRIBED IN THE INTRODUCTION OF THIS DISCLOSURE STATEMENT.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN, AND RETURN EACH BALLOT THAT YOU RECEIVE.

F. Acceptances Required From Impaired Classes.

In order for a plan to be confirmed without resort to the "cram-down" provisions of the Bankruptcy Code, each Class of "impaired" Claims must be determined to have accepted the Plan. As previously mentioned, each Class of "impaired" Claims will be determined to have accepted the Plan if holders accept the Plan by votes (i) representing at least two-thirds in amount of Allowed Claims in such impaired Class of those holders actually voting and (ii) more than one-half in number of Allowed Claims in such Class of those holders actually voting.

The holders of Class 2 Bond Claims and Allowed Class 5 Unsecured Claims are "impaired" under the Plan, and the Debtors are soliciting acceptances for the Plan from the holders of Allowed Claims in such Classes. Classes 1, 3 and 4 are unimpaired under the Plan and, therefore, are deemed to have accepted the Plan. Classes 6 and 7 are impaired and deemed to reject the Plan.

G. Confirmation Without Acceptance of All Impaired Classes ("Cram-down").

In the event that a plan otherwise satisfies the Bankruptcy Code's requirements for confirmation, but one or more classes of claims votes to reject the plan, a debtor has the right to seek confirmation of its plan under the "cram-down" provisions of the Bankruptcy Code.

The Bankruptcy Court can "cram-down" the Plan at the Debtors' request only if at least one impaired Class of Claims, (excluding the votes of insiders), has accepted the Plan and all other requirements of section 1129(a) of the Bankruptcy Code are satisfied.

In addition, the Bankruptcy Court must find that, as to each impaired Class that has not accepted the Plan, the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to such non-accepting Class.

A plan does not "discriminate unfairly" within the meaning of the Bankruptcy Code if the dissenting class will receive value relatively equal to the value given to all other similarly situated classes.

A plan is "fair and equitable" within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or interests.

A plan is "fair and equitable" as to a class of secured claims that rejects a plan if the plan provides (a)(i) that the holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (ii) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, equal to at least the value of the holder's interest in the estate's interest in such property; or (b) for the realization by such holders of the indubitable equivalent of such claims.

If a class of unsecured claims rejects a plan, the plan may still be confirmed as long as the plan provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim, or (b) that the holder of any claim or any interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

If a class of interests rejects a plan, the plan may still be confirmed as long as the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (b) that the holder of any interest that is junior to the interest of such class will not receive or retain under the plan on account of such junior interest any property at all.

Under the Plan, no holder in a Class of Claims is to receive Cash or other property in excess of the full amount of its Allowed Claim. Moreover, no Claim or Interest that is junior to the holders of General Unsecured Claims will receive any distribution under the Plan.

Accordingly, the Debtors believe that the Plan does not discriminate unfairly as to any impaired Class of Claims or Interests and is fair and equitable with respect to each such Class under section 1129(b) of the Bankruptcy Code.

H. Feasibility of the Plan.

In connection with confirmation of the Plan, the Bankruptcy Court will have to determine that the Plan is feasible pursuant to section 1129(a)(11), which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors unless the Plan provides for the liquidation of the Debtors. Since the Plan provides for the liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan, including the backing of the Plan Administrator with sufficient funds to proceed with the liquidation of the Debtors' remaining Assets. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

I. Best Interests of Creditors.

To confirm the Plan over the objections of dissenting holders of impaired Claims, the Bankruptcy Court must also independently determine that the Plan is in the "best interests" of all dissenting holders of Claims impaired under the Plan. Under the "best interests" test, the Bankruptcy Court must find that the Plan provides to each dissenting holder of an impaired Claim a recovery of a value at least equal to the value, as of the Effective Date, of the distribution that each such holder would receive were the Debtors liquidated under Chapter 7 of the Bankruptcy Code. Since it is the Debtors' belief that the Plan is comparable to a liquidation, a liquidation under Chapter 7 of the Bankruptcy Code would merely increase administrative costs in the form of Chapter 7 trustee's fees and other professional fees.

To calculate a Chapter 7 trustee's fees, section 326(a) of the Bankruptcy Code provides that such fee is calculated based on all moneys disbursed not to exceed 25 percent on the first $5,000 or less, 10 percent on any amount in excess of $5,000 but not in excess of $50,000, 5 percent on any amount in excess of $50,000 but not in excess of $1,000,000, and reasonable compensation not to exceed 3 percent of such moneys in excess of $1,000,000. Based on the Debtors' projections of a distribution of approximately $32.8 million, it is likely that a Chapter 7 trustee's commission alone could be approximately $1.2 million. In addition to the Chapter 7 trustee's fee, a Chapter 7 trustee would require the assistance of other professionals and such professionals' fees would be in addition to the Chapter 7 trustee's fee. Thus, the Debtors believe the Plan is in the best interest of Creditors and all Creditors are receiving value greater than or at least equal to the value, as of the Effective Date, of the distribution that each such holder would receive were the Debtors liquidated under Chapter 7 of the Bankruptcy Code.

In addition, to the extent this case was converted, it is uncertain a Chapter 7 trustee would obtain a settlement similar to the 9019 Settlement with the Bond Trustee. As noted above, without this settlement the Debtors would have little if any funds available to

distribute given the Bond Trustee's liens and Claims, including those under the Final Cash Collateral and DIP Order.

XII. CERTAIN RISK FACTORS TO BE CONSIDERED

The holder of an impaired Claim should consider carefully the following risk factors as well as all of the other information contained in this Disclosure Statement, including the Plan and other Exhibits hereto, before deciding whether to vote to accept or reject the Plan.

The formulation of a plan of reorganization or liquidation is the principal purpose of a Chapter 11 case. The Plan sets forth the means for satisfying the holders of Claims against the Debtors.

The recovery projections included in this Disclosure Statement are dependent upon certain matters, most of which are beyond the control of the Plan Administrator and some of which may well not materialize. Unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual recoveries. Therefore, the actual recoveries achieved by the Plan Administrator may vary from the projected recoveries included herein. These variations may be material.

XIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material U.S. federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan for the Debtors and those holders of Allowed Claims are described below. The following summary does not address the 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, Secured Claims, Priority Tax Claims and Unsecured Priority Claims). No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the U.S. Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the IRS or such other authorities. As a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and describe herein. In addition, a significant amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution under the Plan. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder of an Allowed Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The following summary is for general information only. This summary does not address any estate or gift tax consequences of the Plan or tax consequences of the Plan under any state, local or foreign laws, nor does it purport to address all of the federal income tax

consequences of the Plan. Furthermore, this discussion does not address all tax considerations that might be relevant to particular holders of Allowed Claims in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of holders of Allowed Claims, such as: financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Allowed Claims as part of a hedging, integrated or conversion transaction, constructive sale or "straddle," U.S. expatriates, persons subject to the alternative minimum tax, dealers or traders in securities or currencies, S corporations, small business investment companies, mutual funds, foreign corporations, and non-resident alien individuals.

If a partnership or other pass-through entity is a holder of an Allowed Claim, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity that is a holder of an Allowed Claim, you should consult your tax advisor regarding the tax consequences of the Plan to your particular situation.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POTENTIAL FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN.

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 Code, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement, and (iii) each holder of a Claim should seek advice based on its particular circumstances from an independent tax advisor.

A. Federal Income Tax Consequences to the Debtors.

The Debtors are exempt from federal income tax pursuant to section 501 of the Tax Code. 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. Federal Income Tax Consequences to Holders of Allowed Class 2 and 5 Claims.

1. Gain or Loss Recognized. Except with respect to a Claim (or portion thereof) for accrued but unpaid interest, for federal income tax purposes, each holder of an Allowed Class 2 Bond Claim and Class 5 General Unsecured 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 sum of the amount of Cash received by such holder and (ii) the adjusted tax basis of such holder's Allowed Claim. The amount and timing of such gain or loss may be affected by the resolution of Disputed Claims. The character of any gain or loss as long-term or short-term capital gain or loss or ordinary income or loss, will depend on a number of factors, including: (i) the nature and origin of the Claim (*e.g.*, Claims arising in the ordinary course of a trade or business or made for investment purposes); (ii) the tax status of the holder of the Claim; (iii) whether the Claim is a capital asset in the hands of the holder; (iv) whether the Claim has been held by the holder for more than one year; (v) the extent to which the holder previously claimed a loss or a bad debt deduction with respect to the Claim; and (vi) the extent to which the holder acquired the Claim at a discount. For a discussion of the allocation of the consideration received by holders of Allowed Class 2 and Class 5 Claims between principal and accrued but unpaid interest and the tax consequences associated with a Claim for accrued but unpaid interest, if any, see **Section B.2**. – "Receipt of Interest" below.

2. Receipt of Interest. The Plan does not address the allocation of the aggregate consideration to be distributed to holders between principal and accrued but unpaid interest. Treasury regulations appear to support a contention that all consideration distributed to a holder should be treated as interest income to the extent of accrued interest, and there can be no assurance how the IRS would determine the allocation of consideration under the Plan.

In general, to the extent that any amount of consideration received by a holder is received in satisfaction of accrued interest, or accrued original issue discount ("OID") during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder may be allowed a bad debt deduction to the extent any accrued interest or OID 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 would be a capital loss if the underlying obligation were a capital obligation.

Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest or accrued OID for tax purposes.

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 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 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. Holders are urged to consult their advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holder's tax returns.

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

XIV. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtors believe that the Plan affords the holders of Claims the potential for the greatest realization on the Debtors' Assets and, thus, is in the best interests of such holders. If the Plan is not confirmed, however, the alternative would be the liquidation of the Debtors' remaining Assets and distribution to Creditors under Chapter 7. As discussed, the Debtors believe that the Plan is significantly better for Creditors than a Chapter 7 liquidation.

XV. ALTERNATIVE PLANS OF REORGANIZATION

If the Plan is not confirmed, the Debtors or any other party-in-interest in the Chapter 11 Cases could propose a different plan or plans. The Debtors believe that under an alternative plan, particularly a plan that would likely not include a settlement similar to the 9019 Settlement, there would be little, if any, funds available for distribution to Creditors in the Chapter 11 Cases. Moreover, the filing of alternative plans would result in additional costs in administering the Chapter 11 Cases and significant delays in making distributions.

XVI. CONFIRMATION HEARING

By order of the Bankruptcy Court dated [_____ __, 2014,] the Confirmation Hearing has been scheduled for April 30, 2014 at 11:00 a.m. (Eastern Time), before the Honorable Cecilia G. Morris, Chief United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjourned hearing. Any objection to confirmation must be made in writing, filed with the Clerk of the Bankruptcy Court and served upon the following parties, together with proof of service thereof, so as to be ACTUALLY RECEIVED on or before April 23, 2014 at 5:00 p.m. (Eastern Time):

For the Debtors:

ST. FRANCIS' HOSPITAL
241 North Road
Poughkeepsie, New York 12601
Attn: Arthur Nizza

with copies to:

Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
Nixon Peabody LLP
437 Madison Avenue
New York, NY 10022
Attorneys for the Debtors

For the Committee:

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For the Bond Trustee:

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Ian A. Hammel
Mintz Levin Cohn Ferris Glovsky and Popeo, P.C.
One Financial Center
Boston, Massachusetts, 02111
Tel: (617) 542-6000

For the DIP Lender:

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Katie G. Stenberg
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For WMC:

Ted. A. Berkowitz
Kristina M. Wesch
Farrell Fritz P.C.
1320 RXR Plaza
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Telephone: (516) 227-0700
Facsimile: (516) 336-2211

For the United States Trustee:

United States Trustee
Eric J. Small, Esq.
Department of Justice
Office of the United States Trustee
74 Chapel Street – Suite 200
Albany, NY 12207
(518) 434-4553
(845) 452-1696

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

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

XVII. CONCLUSION

The Debtors submit that the plan complies in all respects with Chapter 11 of the Bankruptcy Code and the Debtors recommend to holders of Claims who are entitled to vote on the plan that they vote to accept the plan. The Debtors remind such holders that, to be counted, each ballot, signed and marked to indicate the holder's vote, must be actually received by no later than 4:00 p.m. (Eastern Time) on April 23, 2014, at the following address:

If mailed	*If sent by hand delivery or overnight courier*
BMC Group, Inc. **Attn: St. Francis' Hospital Ballot Processing** **PO Box 3020** **Chanhassen, MN 55317-3020**	**BMC Group, Inc.** **Attn: St. Francis' Hospital Ballot Processing** **18675 Lake Drive East** **Chanhassen, MN 55317**

Dated: March 18, 2014
Poughkeepsie, New York

Respectfully submitted,

St. Francis' Hospital, Poughkeepsie, New York,

Saint Francis Home Care Services Corporation,

SFH Ventures, Inc.,

Saint Francis Health Care Foundation, Inc.,

and

Saint Francis Hospital Preschool Program

By: /s/ Arthur Nizza, D.S.W.
Title: President and CEO of St. Francis' Hospital, Poughkeepsie, New York

Dated: March 18, 2014
New York, New York

/s/ Christopher M. Desiderio
Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
NIXON PEABODY LLP
437 Madison Avenue
New York, New York 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111
Counsel to the Debtors
and Debtors in Possession

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 11**
ST. FRANCIS' HOSPITAL, POUGHKEEPSIE, NEW YORK, *et al.*,[1]	**Case No. 13-37725-CGM**
Debtors.	**(Jointly Administered)**

DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED MARCH 19, 2014

NIXON PEABODY LLP
Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
437 Madison Avenue
New York, NY 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111

Counsel to the Debtors
and Debtors in Possession

Dated: March 19, 2014

[1] The debtors in these Chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: St. Francis' Hospital, Poughkeepsie, New York (8503), Saint Francis Home Care Services Corporation (3842), SFH Ventures, Inc. (0024), Saint Francis Health Care Foundation, Inc. (5066), and Saint Francis Hospital Preschool Program (1079).

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St. Francis' Hospital, Poughkeepsie, New York, Saint Francis Home Care Services Corporation, SFH Ventures, Inc., Saint Francis Health Care Foundation, Inc., and Saint Francis Hospital Preschool Program, as debtors and debtors in possession, propose the following joint plan of reorganization for the resolution of outstanding Claims against the Debtors pursuant to Chapter 11 of title 11 of the United States Code. The Debtors are the proponents of this Plan and accompanying Disclosure Statement within the meaning of Bankruptcy Code Section 1129.

All holders of Claims against the Debtors are encouraged to read this Plan and the Disclosure Statement and other Plan Documents in their entirety before voting to accept or reject this Plan. The Plan Documents, once Filed, shall be available for review in the office of the clerk of the Bankruptcy Court during normal hours of operation of the Bankruptcy Court or at www.bmcgroup.com/stfrancis. Holders of Claims may also obtain a copy of the Plan Documents by contacting counsel for the Debtors by a written request sent to the above address. Each of the Plan Documents is an integral part of this Plan and is hereby incorporated by reference and made a part of this Plan.

SECTION 1. DEFINITIONS AND INTERPRETATION

A. Definitions.

The following terms used herein shall have the respective meanings defined below:

1.1 ***9019 Contribution*** means Cash in the aggregate sum of $3,000,000 which the Bond Trustee shall cause to be paid to the Debtors' Estates consistent with Paragraph 9 of the Sale Order as a component of the 9019 Settlement. The 9019 Contribution shall be funded by the Bond Trustee from the sources described in **Schedule 1.1**. For the avoidance of doubt, although Schedule 1.1 states that $300,000 of the 9019 Contribution is being contributed by other non-debtor parties, it is the obligation of the Bond Trustee to pay the full amount of the 9019 Contribution to the Debtors' Estates even if the other non-Debtor parties fail to provide said $300,000 portion of the $3,000,000 payment.

1.2 ***9019 Settlement*** means the compromise and settlement of any and all claims of the Debtors and the Estates relating to the Bond Claims, and any and all claims of the Debtors and the Estates relating to the distribution of New Hospital Bonds to holders of the Existing Bonds and the full release of any and all claims (including Causes of Action) of the Debtors and the Estates against the Bond Trustee, holders of the Existing Bonds, their respective property and their respective employees, agents and professionals.

1.3 ***Administrative Claim*** means a Claim for payment of an administrative expense or cost of a kind specified in Bankruptcy Code Section 503(b) and referenced in Bankruptcy Code Sections 507(a)(2), 507(b) or 1114(e)(2) including, without limitation, the actual, necessary costs and expenses of preserving the Estates and operating the businesses of the Debtors, including wages, taxes incurred by the Estates and allowed as administrative expenses, and salaries, or commissions for services rendered after the commencement of these Chapter 11 Cases; provided, however, the term does not include Fee Claims, DIP Claims or U.S. Trustee Fees, which are treated separately in this Plan.

1.4 ***Allowed means***, with reference to any Claim and except as otherwise expressly set forth in this Plan, (i) a Claim (a) listed in the Schedules and not described on the Schedules as zero, disputed, unliquidated or contingent or (b) described in a timely Filed proof of claim and, in each case, as to which no objection or request for estimation has been Filed on or before any deadline therefor set by the Bankruptcy Court or the expiration of such other applicable period fixed by the Bankruptcy Court or the Plan; (ii) a Claim as to which and solely to the extent any timely objection has been Filed is settled, waived, withdrawn or denied by a Final Order or in accordance with the Plan; or (iii) a Claim that is allowed (a) by a Final Order, (b) by an agreement between the holder of such Claim and the Debtors or the Reorganized Debtor(s) or (c) pursuant to the terms of the Plan. An Allowed Claim (i) includes a disputed Claim to the extent such disputed Claim becomes Allowed after the Effective Date and (ii) shall be net of any valid setoff exercised with respect to such Claim pursuant to the provisions of the Bankruptcy Code and applicable law. Unless otherwise specified in this Plan, in Section 506(b) of the Bankruptcy Code or by Final Order of the Bankruptcy Court, "Allowed" Claims shall not, for purposes of distribution under the Plan, include interest on such Claim accruing from and after the Petition Date.

1.5 ***APA*** means that certain Purchase and Sale Agreement dated as of February 10, 2014, by and between Debtors and Purchaser, as amended, supplemented or otherwise modified from time to time.

1.6 ***APP Subordinated Claim*** means the Claims held by the Archdiocesan Pension Plan evidenced by that certain Mortgage and Security Agreement dated as of March 1, 2004, the related note in favor of the Archdiocesan Pension Plan, that certain Subordination Agreement given by the Archdiocesan Pension Plan in favor of the Bond Trustee, all documents executed in connection with the foregoing, and all Claims, if any, held by the Archdiocesan Pension Plan under the Final Cash Collateral and DIP Order pursuant to the terms thereof. For the avoidance of doubt, the rights of the Plan Administrator to seek to have the APP Subordinated Claim treated as a Subordinated Claim, or to otherwise object to the APP Subordinated Claim, are fully preserved.

1.7 ***Assets*** means all assets and property of the Debtors of any nature whatsoever, including, without limitation, all property of their respective Estates pursuant to Bankruptcy Code Section 541, Cash, Causes of Action, equipment, inventory, tax refunds, claims of right, interests and property, real and personal, tangible and intangible, and proceeds of any of the foregoing, including without limitation, proceeds of the Asset Sale and the proceeds of the sale of any other Assets pending disbursement. When referring to any time period prior to the Asset Sale Closing Date, Assets also means the Purchased Assets. Assets shall not include for purposes of this Plan any cash, cash equivalents, securities, investment property or other property held by the Bond Trustee or New Hospital Bonds. For purposes of distributions under this Plan "Assets" shall not include any Assets subject to restrictions that are inconsistent with the use of those Assets to satisfy Claims; the Plan Administrator shall dispose of such Assets, if any, in accordance with applicable non-bankruptcy law and the APA, if applicable.

1.8 ***Asset Sale*** means the Debtors' sale of, and the Purchaser's purchase of, the Purchased Assets (as defined in, and pursuant to the APA), which sale has been approved by

the Sale Order, and, for purposes of Bankruptcy Code Section 1146(a), shall be made and entered into, in furtherance of, under, or in connection with this Plan.

1.9 ***Asset Sale Closing Date*** means the date on which the Debtors close the Asset Sale.

1.10 ***Assigned Contracts*** means the contracts and leases described in sections 2.1(c) and (f) of the APA, which are to be assumed and assigned to the Purchaser pursuant to Section 365 of the Bankruptcy Code in accordance with the Sale Order.

1.11 ***Assumed PTO Claims*** shall have the meaning set forth in Section 3.2.4 of this Plan.

1.12 ***Bankruptcy Code*** means Chapter 11 of title 11 of the United States Code, as now in effect or hereafter applicable to these Chapter 11 Cases.

1.13 ***Bankruptcy Court* or *Court*** means the United States Bankruptcy Court for the Southern District of New York and any court having competent jurisdiction to hear appeals or certiorari proceedings therefrom, or any successor thereto that may be established by any act of Congress, or otherwise, and which has competent jurisdiction over the Chapter 11 Cases or the Plan.

1.14 ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure, as amended, and the local rules of the Court, as applicable to these Chapter 11 Cases.

1.15 ***Bond Claim*** means the Claims held by the Bond Trustee for the benefit of the holders of the Existing Bonds evidenced by the Existing Bonds and all documents executed in connection with the Existing Bonds, including but not limited to any forbearance agreements associated therewith, and all claims held by the Bond Trustee under the Final Cash Collateral and DIP Order for diminution in the Pre-Petition Bond Collateral (as defined in the Final Cash Collateral and DIP Order). For the avoidance of doubt, the Bond Claim includes the prepetition emergency advances made by the Bond Trustee in the aggregate amount of $2.3 million.

1.16 ***Bond Documents*** means the trust indenture, lease agreement, mortgage and security instruments and any other agreement executed, including but not limited to any forbearance agreements, in connection with or otherwise serving as collateral in connection with the Existing Bonds. For the avoidance of doubt, the Bond Documents include all documents relating to the prepetition emergency advances made by the Bond Trustee in the aggregate amount of $2.3 million.

1.17 ***Bond Trustee*** means Manufacturers and Traders Trust Company as indenture trustee under the Bond Documents, or any successor then serving as indenture trustee under any Bond Document.

1.18 ***Business Day*** means any day of the calendar week, except Saturday, Sunday, a "legal holiday," as defined in Bankruptcy Rule 9006(a), or any day on which commercial banks are authorized or required by law to close in Poughkeepsie, New York.

1.19 ***Cash*** means cash and cash equivalents including, without limitation, checks and wire transfers.

1.20 ***Causes of Action*** means any claim, cause of action, controversy, demand, agreement, right (including to legal or equitable remedies), action, lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Causes of Action also include: (a) any right of setoff, counterclaim, or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to Section 362; (d) any claim or defense including fraud, mistake, duress, and usury, and any other defenses set forth in Section 558 of the Bankruptcy Code; (e) any state law fraudulent transfer claim; (f) any claim pursuant to Sections 502(d), 544, 545, 547, 548, 550, 552(b) or 553 of the Bankruptcy Code; and (g) any claim listed in the Final Plan Supplement.

1.21 ***Chapter 11*** means chapter 11 of the Bankruptcy Code.

1.22 ***Chapter 11 Cases*** means the above-captioned cases.

1.23 ***Claim*** means a claim, as defined by Bankruptcy Code Section 101(5), against the Debtors or their Assets, whether or not asserted.

1.24 ***Class*** means a class or category of Claims as classified and described in **Section 3** of this Plan.

1.25 ***Closing*** means the consummation of the purchase and sale of the Purchased Assets as provided by the APA and Sale Order.

1.26 ***Committee*** means the official committee of unsecured creditors appointed by the U.S. Trustee pursuant to Section 1102 of the Bankruptcy Code in the Chapter 11 Cases, as constituted from time to time, but does not mean the members of the Committee in their individual capacities.

1.27 ***Confirmation Date*** means the date on which the clerk of the Court enters the Confirmation Order on the Court's docket.

1.28 ***Confirmation Hearing*** means the hearing on confirmation of this Plan pursuant to Bankruptcy Code Section 1129.

1.29 ***Confirmation Order*** means the order entered by the Court confirming this Plan in accordance with Chapter 11 of the Bankruptcy Code.

1.30 ***Consolidated Debtors*** means St. Francis' Hospital, Poughkeepsie, New York, Saint Francis Home Care Services Corporation, SFH Ventures, Inc., St. Francis Health

Care Foundation, Inc. and Saint Francis Hospital Preschool Program, debtors and debtors in possession, and includes the Estates of the Consolidated Debtors, where appropriate.

1.31 ***Contribution Funds*** means the amount of $300,000 currently held in the client trust account of the Debtors' attorneys pursuant to the Third Interim Order Pursuant to Bankruptcy Code Sections 363, 541 and 105(a) Authorizing Debtors to Pay Pre-Petition Amounts Associated with Restricted Funds [Dkt. No. 435].

1.32 ***Cramdown*** means the confirmation of this Plan pursuant to Section 1129(b) of the Bankruptcy Code notwithstanding any rejection by an impaired Class or Classes of holders of Claims or Interests of this Plan.

1.33 ***Creditor*** means a holder of a Claim.

1.34 ***Cure Payment*** means a payment of Cash, pursuant to Bankruptcy Code Section 365(b), by the Debtors or Purchaser in accordance with the Sale Order and on the terms and in the manner set forth in sections 2.3 and 2.5 of the APA as necessary to permit the Debtors to assume and assign to the Purchaser such executory contract or unexpired lease under Section 365 of the Bankruptcy Code.

1.35 ***Debtor Released Claims*** has the meaning provided in **Section 10.3** of this Plan.

1.36 ***Debtors*** means St. Francis' Hospital, Poughkeepsie, New York, Saint Francis Home Care Services Corporation, SFH Ventures, Inc., Saint Francis Health Care Foundation, Inc., and Saint Francis Hospital Preschool Program, debtors and debtors in possession, and includes the Estates, where appropriate.

1.37 ***DIP Agent*** means, collectively, MidCap Financial, LLC, MidCap Funding IV, LLC and MidCap Funding V, LLC, any other agent party to the DIP Loan Agreement from time to time, their respective successors and assigns, each in its (or their) capacity as agent under the DIP Loan Agreement.

1.38 ***DIP Claims*** mean any Claim of the DIP Lender or DIP Agent derived from or based upon the DIP Loan Agreement.

1.39 ***DIP Facility*** means any debtor-in-possession financing facility or facilities established pursuant to the DIP Loan Agreement.

1.40 ***DIP Lender*** means collectively MidCap Financial, LLC and MidCap Funding IV, LLC, and Midcap Funding V, LLC, any other lenders party to the DIP Loan Agreement from time to time, and each of their respective successors and assigns, each in its (or their) capacity lender under the DIP Loan Agreement.

1.41 ***DIP Loan Agreement*** means the credit agreements and related security agreements, mortgages and similar documents governing the DIP Facility by and between the Debtors and the DIP Lender.

1.42 ***Disclosure Statement*** means the First Amended Disclosure Statement with Respect to the Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated March __, 2014, as altered, modified, or amended in accordance with the Bankruptcy Code and the Bankruptcy Rules.

1.43 ***Disclosure Statement Hearing*** means the hearing on the Debtors' request to approve the Disclosure Statement pursuant to Bankruptcy Code Section 1125.

1.44 ***Distribution Record Date*** means the Confirmation Date, unless a different date is designated by the Confirmation Order or other order of the Bankruptcy Court.

1.45 ***District Court*** means the United States District Court for the Southern District of New York and any court having competent jurisdiction to hear appeals or certiorari proceedings therefrom, or any successor thereto.

1.46 ***DTC*** means The Depository Trust Company.

1.47 ***Effective Date*** means two (2) days after the date on which each of the conditions to this Plan's Effective Date set forth herein has either been satisfied or waived in accordance with this Plan.

1.48 ***Estates*** means the estates of the Debtors created by the Debtors' Chapter 11 Cases pursuant to Bankruptcy Code Section 541.

1.49 ***Excluded Assets*** means Assets not included as Purchased Assets in the Asset Sale, all as more particularly described in the APA, and including, without limitation, Receivables. For the avoidance of doubt, Purchaser is not acquiring any cash, cash equivalents, securities, investment property or other property held by the Bond Trustee but such property shall not constitute Excluded Assets for purposes of this Plan.

1.50 ***Exculpated Claim*** means any claim related to any act or omission in connection with, relating to or arising out of the Debtors' in or out of court restructuring efforts, the Chapter 11 Cases, formulation, preparation, dissemination, negotiation or filing of the Disclosure Statement or this Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or this Plan, the filing of the Chapter 11 Cases, the pursuit of confirmation of this Plan, the administration and implementation of this Plan, the Asset Sale, the issuance of the New Hospital Bonds, the execution and delivery of the New Hospital Bond Documents, the execution and delivery of the Exit Facility and the Services Agreement or the distribution of property under the Plan or any other related agreement; ***provided***, ***however***, that Exculpated Claims shall not include any act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct or fraud. For the avoidance of doubt, no Cause of Action, obligation or liability specifically identified in or preserved by the Plan, the Disclosure Statement, or the Final Plan Supplement constitutes an Exculpated Claim.

1.51 ***Exculpated Party*** means each of: (i) the Committee, (ii) the members of the Committee solely in their capacity as members of the Committee, (iii) the Post Effective Date Committee, (iv) the members of the Post Effective Date Committee solely in their capacity as

members of the Post Effective Date Committee, (iv) each holder of the Existing Bonds solely in their capacity as holders of the Existing Bonds, (v) the Bond Trustee solely in its capacity as Bond Trustee, (vi) the DIP Lender solely in its capacity as DIP Lender, (vii) the DIP Agent solely in its capacity as DIP Agent, (viii) the Purchaser solely in its capacity as the Purchaser, and (ix) the Plan Administrator, solely in his or her capacity as Plan Administrator and their respective current and former officers, directors, members, managers, employees, attorneys and advisors, each solely in their respective capacities as such. Exculpated Party also means, with respect to post Petition Date conduct only, each of the Debtors and their respective current and former officers, directors, members, managers, employees, attorneys and advisors, each solely in their respective capacities as such.

1.52 ***Existing Bonds*** means the Series 2004 Bonds and Series 2007 Bonds.

1.53 ***Exit Facility*** means the secured loan facility or facilities established in the principal amount and with the attributes described in section 3.3(a) of the APA, in the form contained in the Final Plan Supplement which Exit Facility shall be on terms and conditions acceptable to the Purchaser in its sole and absolute discretion.

1.54 ***Facility*** means the Debtors' acute care hospital facility located in Poughkeepsie, New York.

1.55 ***Fee Claim*** means a Claim for compensation for legal or other professional services and related reimbursement of expenses under Bankruptcy Code Sections 328, 330(a), 331, and/or 503(b).

1.56 ***File* or *Filed*** means properly filed with the clerk of court of the Bankruptcy Court in the Chapter 11 Cases, as reflected on the official docket of the clerk of court of the Bankruptcy Court for the Chapter 11 Cases.

1.57 ***Final Cash Collateral and DIP Order*** means that certain "*Final Order: (i) Authorizing Debtors (A) to Obtain Postpetition Secured, Superpriority Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364 and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; and (ii) Granting Adequate Protection to Pre-Petition Indenture Trustee and the Archdiocesan Pension Plan Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364*" entered in the Chapter 11 Cases as Docket No. 235.

1.58 ***Final Order*** means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction that has not been reversed, vacated, or stayed and as to which (a) the time to appeal, petition for certiorari, or move for a stay, new trial, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for stay, new trial, reargument, or rehearing shall then be pending or (b) if an appeal, writ of certiorari, stay, new trial, reargument, or rehearing has been sought, (i) such order or judgment shall have been affirmed by the highest court to which such order was appealed, certiorari shall have been denied, or a stay, new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order, and (ii) the time to take any further appeal, petition for certiorari, or move for a stay, new trial, reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Section 502(j) of the Bankruptcy Code, Rule 59

or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure may be, but has not been, filed with respect to such order shall not cause such order not to be a Final Order.

1.59 ***Final Plan Supplement*** means the compilation of documents and forms of documents, schedules, and exhibits to this Plan to be filed not less than seven days prior to the date on which the Confirmation Hearing is commenced, including the form of the Exit Facility, the Services Agreement and related documents as necessary to implement the terms of this Plan.

1.60 ***Impaired*** means, with respect to any Class, that such Class is "impaired" under the Plan within the meaning of Section 1124 of the Bankruptcy Code.

1.61 ***Initial Plan Supplement*** means the compilation of documents and forms of documents, schedules, and exhibits to this Plan to be filed not less than seven days prior to the date on which the Disclosure Statement Hearing is commenced, including: forms of New Hospital Bond Documents, the disclosure of the Plan Administrator and related documents as necessary to implement the terms of this Plan.

1.62 ***Intercompany Claim*** means any Claim against a Debtor by any other Debtor, whether arising prior to or after the Petition Date.

1.63 ***Interest*** means the interest of any holder of an equity security of any Debtor, within the meaning of Bankruptcy Code Section 101(16), (17), represented by any issued and outstanding shares of common or preferred stock or other instrument evidencing a present ownership or membership interest in any of the Debtors, or any membership interest in any of the Debtors, whether or not transferable, or any option, warrant, or right, contractual or otherwise, to acquire any such interest, including a partnership, limited liability company or similar interest in a Debtor.

1.64 ***New Hospital Bond Documents*** means the indenture and other documents evidencing, securing or otherwise relating to the New Hospital Bonds, to implement the terms of this Plan, all substantially in the forms and with terms acceptable to the Bond Trustee and Purchaser and attached to the Initial Plan Supplement, to be entered into and effective on the Effective Date.

1.65 ***New Hospital Bonds*** means the secured hospital revenue bonds in the principal amount of $27,352,000 and with the attributes described in **Schedule 1.64**, and with such other terms as are acceptable to the Bond Trustee and Purchaser and set forth in the Initial Plan Supplement. The New Hospital Bonds shall be issued pursuant to the New Hospital Bond Documents.

1.66 ***Person*** means an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, estate, unincorporated organization, governmental unit, government (or agency or political subdivision thereof), or other entity, including, without limitation, the Debtors.

1.67 ***Petition Date*** means December 17, 2013.

1.68 ***Plan*** means this First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated March __, 2014, as altered, modified, or amended in accordance with the Bankruptcy Code and the Bankruptcy Rules.

1.69 ***Plan Administrator*** means Chad J. Shandler for purposes of administering and consummating this Plan and any successor appointed pursuant to this Plan.

1.70 ***Plan Documents*** means the Plan, the Initial Plan Supplement, the Final Plan Supplement, the Disclosure Statement, the New Hospital Bond Documents, the Exit Facility documents and all exhibits and schedules attached thereto, either in their present form or as each may be amended, supplemented, or otherwise modified from time to time.

1.71 ***Post Confirmation Administrative Reserve*** means the Cash reserve in an amount equal to the remaining funds held by the Debtors and/or Reorganized Debtors after payment or reserve for Administrative Claims, Fee Claims, Priority Tax Claims, claims for U.S. Trustee Fees, Secured Tax Claims, Secured Claims, and Unsecured Priority Claims.

1.72 ***Post Effective Date Committee*** means the Committee as it shall function after the Effective Date as more fully described in **Section 5.17** of this Plan.

1.73 ***Priority Tax Claim*** means a Claim of a governmental unit of a kind entitled to priority under Bankruptcy Code Section 507(a)(8).

1.74 ***Professionals*** means all professionals employed in these Chapter 11 Cases pursuant to Bankruptcy Code Sections 327 or 1103.

1.75 ***Purchased Assets*** means those Assets of the Debtors that the Purchaser shall acquire pursuant to the APA at the Closing, including substantially all assets of the Debtors used in connection with or related to the Facility, all as more specifically described in the APA; provided however, Purchased Assets do not include Excluded Assets.

1.76 ***Purchaser*** means Westchester County Health Care Corporation or such designee(s) that may be designated to acquire all or substantially all of the Purchased Assets pursuant to the APA.

1.77 ***Receivables*** means all accounts, notes, interest and other receivables of the Debtors, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, and cost report settlements related thereto, arising from the rendering of services to inpatients and outpatients billed and unbilled, recorded and unrecorded for services provided by the Debtors whether payable by private pay patients, private insurance, third party payors, Medicare, Medicaid or by any other source.

1.78 ***Released Claims*** has the meaning provided in Section 10.4 of this Plan.

1.79 ***Released Parties*** means (i) the Committee, (ii) the members of the Committee solely in their capacity as members of the Committee, (iii) each holder of the Existing Bonds solely in their capacity as holders of the Existing Bonds, (iv) the Bond Trustee solely in its capacity as Bond Trustee, (v) the DIP Lender solely in its capacity as DIP Lender,

(vi) the DIP Agent solely in its capacity as DIP Agent, and (vii) the Purchaser solely it its capacity as the Purchaser and their respective current and former officers, directors, members, managers, employees, attorneys and advisors, each solely in their respective capacities as such.

1.80 ***Reorganized Debtors*** means the Debtors upon the occurrence of and from and after the Effective Date.

1.81 ***Retiree Health Insurance Benefits*** means any "retiree benefits" offered by the Debtors as of the Petition Date as defined in Section 1114(a) of the Bankruptcy Code.

1.82 ***Sale Order*** means the order entered by the Bankruptcy Court approving the sale of the Purchased Assets to the Purchaser on February 24, 2014.

1.83 ***Schedules*** means the schedules of assets and liabilities and the statements of financial affairs filed by the Debtors as required by Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as amended or supplemented through the Effective Date.

1.84 ***Secured Claim*** means a Claim of a Creditor that is secured by property of the Estates, to the extent such Claim has a non-avoidable security interest in the underlying collateral with priority over the Bond Claim in such collateral, and in each case solely to the extent of the value of the Creditor's interest in the Estates' interest in such property, as provided in Bankruptcy Code Section 506(a). Subject to the same conditions, Secured Claim also means a Claim of a creditor that is subject to setoff under Bankruptcy Code Section 553, to the extent of the amount subject to setoff, as provided in Bankruptcy Code Section 506(a). Secured Claims include, but are not limited to, obligations to capital equipment lessors to the extent they possess the attributes set forth in this **Section 1.82**.

1.85 ***Secured Tax Claim*** means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under Bankruptcy Code Section 507(a)(8) (determined irrespective of any time limitations therein), and including any related Secured Claim for penalties.

1.86 ***Series 2004 Bonds*** means those certain civic facility revenue bonds issued in 2004 for the benefit of the Debtors by the Dutchess County Industrial Development Agency (Dutchess County, New York) in the original principal amount of $28,035,000.

1.87 ***Series 2007 Bonds*** means those certain civic facility revenue bonds issued in 2007 for the benefit of the Debtors by the Dutchess County Industrial Development Agency (Dutchess County, New York) in the original principal amount of $9,500,000.

1.88 ***Services Agreement*** means that certain services agreement executed by the Debtors and Purchaser at the Closing for the provision of the billing and collection of Receivables by Purchaser to Debtors and/or Reorganized Debtors, after the Closing, with respect to services rendered by the Debtors prior to the Closing (other than to Transition Patients, as defined in the APA) and certain other services, substantially in the form attached to the APA as Exhibit D.

1.89 ***Subordinated Claim*** means a Claim subordinated to Unsecured Claims under Bankruptcy Code Section 510 or by the terms of an agreement enforceable under applicable law.

1.90 ***Unsecured Claim*** means a Claim that is (a) not secured by property of the Estates or otherwise entitled to treatment as a Secured Claim under Bankruptcy Code Section 506, (b) is not otherwise entitled to priority under Bankruptcy Code Sections 503 or 507, and/or (c) is not otherwise an Administrative Claim, Fee Claim, Priority Tax Claim, DIP Claim, claim for U.S. Trustee Fees, Secured Tax Claim, Bond Claim, Secured Claim, Unsecured Priority Claim, Subordinated Claim or an Intercompany Claim. Unsecured Claims include, without limitation, Claims arising from the rejection of executory contracts and unexpired leases that are not otherwise Secured Claims, Unsecured Deficiency Claims, the APP Subordinated Claim (to the extent the APP Subordinated Claim is not determined to be a Subordinated Claim), and any Claim arising prior to the Petition Date asserted or which can be asserted against any of the Consolidated Debtors on account of or related to such Consolidated Debtor's purported liability resulting either from the provision of medical services, including personal injury or wrongful death claims, or any other personal injury or worker's compensation claim.

1.91 ***Unsecured Deficiency Claim*** means any portion of a Claim to the extent that the value of the Estates' interest in any property securing the Claim is less than the amount of the Claim, or to the extent that the amount of any such Claim subject to setoff is less than the amount of such Claim, as determined pursuant to Bankruptcy Code Section 506(a).

1.92 ***Unimpaired*** means, with respect to any Class, that such Class is not Impaired.

1.93 ***Unsecured Priority Claim*** means a Claim that is not secured by property of the Estates or otherwise entitled to treatment as a Secured Claim under Bankruptcy Code Section 506, but is entitled to priority under Bankruptcy Code Sections 507(a)(4) and 507(a)(5).

1.94 ***U.S. Trustee Fees*** means all fees and charges assessed against the Estates of the Debtors under 28 U.S.C. § 1930 of the United States Code.

1.95 ***Wage Order*** means the *Final Order: (i) Authorizing, But Not Requiring, Debtors to Pay (A) Prepetition Wages, Salaries and Other Compensation, and (B) Maintain Benefits Programs; and (ii) Authorizing and Directing Banks to Honor All Related Checks and Electronic Payment Requests* [Docket No. 201].

B. Interpretation: Application of Definitions and Rules of Construction.

Unless otherwise specified, all Section or Exhibit references in this Plan are to the respective section in, or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained therein. A term used herein that is not defined herein shall have the meaning assigned to that term in the Bankruptcy Code. The rules of construction contained in Section 102 of the Bankruptcy Code shall apply to the Plan. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Unless otherwise

provided, any reference in this Plan to an existing document, Exhibit or Schedule means such document, Exhibit or Schedule as it may have been amended, restated, revised, supplemented or otherwise modified. If a time or date is specified for any payments or other distribution under the Plan, it shall mean on or as soon as reasonably practicable thereafter. Further, where appropriate from a contextual reading of a term, each term includes the singular and plural form of the term regardless of how the term is stated and each stated pronoun is gender neutral.

SECTION 2. TREATMENT OF ADMINISTRATIVE CLAIMS, PRIORITY TAX CLAIMS, AND U.S. TRUSTEE FEES

2.1 ***Administrative Claims***. In accordance with Bankruptcy Code Section 1123(a)(1), Administrative Claims have not been classified and are treated as described in this **Section 2** of this Plan. Except as otherwise provided in this Plan, by written agreement of the holder of an Allowed Administrative Claim to accept different and less favorable treatment than provided under this Plan, or by order of the Court, a Person holding an Allowed Administrative Claim will receive Cash equal to the unpaid portion of such Allowed Administrative Claim as soon as practicable after the later of: (a) the third Business Day after the Effective Date; (b) the date on which such Person becomes the holder of such an Allowed Administrative Claim; or (c) the date or dates when that Claim is payable by its terms, consistent with past practice and in accordance with past terms.

2.2 ***Fee Claims***. In accordance with Bankruptcy Code Section 1123(a)(1), Fee Claims have not been classified and are treated as described in this **Section 2** of this Plan. Except as otherwise provided in this Plan, by written agreement of the holder of an Allowed Fee Claim to accept different and less favorable treatment than provided under this Plan, or by order of the Court, a Person holding an Allowed Fee Claim will receive Cash equal to the unpaid portion of such Allowed Fee Claim, as soon as practicable after the later of: (a) the third Business Day after the Effective Date; or (b) the date on which such Person becomes the holder of such an Allowed Fee Claim.

2.3 ***Priority Tax Claims***. In accordance with Bankruptcy Code Section 1123(a)(1), Priority Tax Claims have not been classified and are treated as described in this **Section 2** of this Plan. Allowed Priority Tax Claims, including but not limited to, any delinquent amounts and costs, if any, relating to the assets being sold pursuant to the Asset Sale, shall be paid by the Debtors. Unless otherwise agreed by the holders of the Allowed Priority Tax Claims to accept different and less favorable treatment than provided under this Plan, or by order of the Court, any Person holding an Allowed Priority Tax Claim will receive, as determined by the Plan Administrator in its sole discretion and in full satisfaction of such Claim: (a) payment in Cash in full on the later of the Effective Date or the date such Claim becomes an Allowed Claim; or (b) Cash over a period not exceeding five (5) years after date of assessment of such Claim, with interest at a rate equal to four percent (4%) per year, payable monthly, in periodic payments, having the value of such Claim as of the Effective Date. Any Claim for or demand for penalty relating to any Priority Tax Claim other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code shall not be Allowed and the holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Estates or any of the Assets.

2.4 ***DIP Claims***. Except to the extent that a holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement and release of and in exchange for each and every Allowed DIP Claim, each holder of an Allowed DIP Claim shall receive, on the Effective Date, in full satisfaction of such Claim, payment in full in Cash.

2.5 ***U.S. Trustee Fees***. U.S. Trustee Fees include all fees and charges assessed against the Debtors under Chapter 1930 of title 28, United States Code. All U.S. Trustee Fees will be paid in full by the Debtors or Plan Administrator, as the case may be, as they become due and owing and shall continue to be paid until such time that (i) a final decree is entered closing the Chapter 11 Cases, a Final Order converting the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or a Final Order dismissing the Chapter 11 Cases is entered and (ii) the Reorganized Debtors or Plan Administrator, as applicable, have met all Post-confirmation Operating Report Requirements of the U.S. Trustee's Operating Guidelines and Reporting Requirements for debtors in possession and trustees (unless the Bankruptcy Court orders otherwise) including providing an affidavit regarding quarterly reports of disbursements during each calendar quarter.

SECTION 3. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

3.1 ***Classification and Specification of Treatment of Claims***. All Claims, except those described in **Section 2**, are placed in the following Classes of Claims, pursuant to Bankruptcy Code Section 1123(a)(1), which section specifies the treatment of such Classes of Claims and of their impaired or unimpaired status, pursuant to Bankruptcy Code Sections 1123(a)(2) and 1123(a)(3). A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of the Class and is classified in a different Class to the extent that the Claim qualifies within the description of that different Class. A Claim is in a particular Class only to the extent that the Claim is an Allowed Claim in that Class and has not been paid, released, withdrawn, waived, or otherwise satisfied under this Plan. Unless this Plan expressly provides otherwise, when a Class includes a subclass, each subclass is a separate Class for all purposes under the Bankruptcy Code, including, without limitation, voting and distribution.

Subject to all other applicable provisions of this Plan (including its distribution provisions), classified Claims shall receive the treatment set forth below. This Plan will not provide any distributions on account of a Claim to the extent that such Claim has been disallowed, released, withdrawn, waived, or otherwise satisfied or paid as of the Effective Date, including, without limitation, payments by third parties. Except as specifically provided in this Plan, this Plan will not provide any distributions on account of a Claim, the payment of which has been assumed by a third party. Except as otherwise specifically provided in this Plan or by further order of the Court, all treatment, allowances, or payments of Claims which have been specified or otherwise fixed or required by order of the Court shall not be impaired by this Plan and the rights of the holders of such Claims as provided in such orders shall not be altered by this Plan. Any holder of any Claim in any Class may agree, pursuant to Bankruptcy Code Section 1123(a)(4), to a treatment of such Claim that is less favorable (but not more favorable) than any other Claim in such Class.

3.2 ***Classes of Claims***.

3.2.1 Class 1 – Secured Tax Claims. This Class consists of all Allowed Secured Tax Claims. Each Allowed Claim in this Class shall be assumed by the Purchaser pursuant to the terms of the APA as part of the Asset Sale.

3.2.2 Class 2 – Bond Claim. This Class consists of the Bond Claim, which shall be Allowed on the Effective Date and not subject to reduction, disallowance, avoidance, setoff, recoupment or subordination. On the Effective Date, each holder of Existing Bonds as of the Distribution Record Date shall be deemed to surrender and exchange its Existing Bonds and shall receive a *pro rata* amount of New Hospital Bonds. On and after the Effective Date, each holder of Existing Bonds as of the Distribution Record Date shall additionally be entitled to receive a *pro rata* distribution of Cash or proceeds from any cash equivalents, securities, investment property or other property held by the Bond Trustee after payment of or reserve for fees and expenses of the Bond Trustee and its professionals. The treatment set forth in this **Section 3.2.2** and in this Plan shall be in full and complete satisfaction of the Bond Claim.

3.2.3 Class 3 – Secured Claims. This Class consists of all Allowed Secured Claims other than the Bond Claim. Each Allowed Claim in this Class shall be in a separate subclass. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment than provided under this Plan, or by order of the Court, each holder of an Allowed Claim in this Class will receive, at the election of the Plan Administrator: (a) payment of Cash in the amount of such holder's Allowed Secured Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date such Claim becomes Allowed; (b) the return of the property subject to the senior, perfected, non-avoidable, and indefeasible lien or security interest securing such holder's Allowed Secured Claim; or (c) the payment of any amounts agreed to be paid by the Purchaser with respect to such holder's Allowed Secured Claim, as assignee, pursuant to the Asset Sale. Any excess amount of a Class 3 Claim over the fair market value of the collateral securing such Claim, and any Secured Claim that does not have priority over the Bond Claim, shall constitute an Unsecured Deficiency Claim, which Claim shall be classified as a Class 5 Claim.

3.2.4 Class 4 – Unsecured Priority Claims. This Class consists of all Allowed Unsecured Priority Claims. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment, each holder of an Allowed Unsecured Priority Claim which has not been satisfied as of the Effective Date shall receive Cash in the amount of such holder's Allowed Unsecured Priority Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed. Subject to, and in accordance with the terms of the APA, a professional employment organization ("***PEO***") designated by the Purchaser, (or, in the case of physicians a professional corporation or other authorized entity designated by the Purchaser) shall, to the extent it re-hires employees that were employed by the Debtors immediately prior to the Closing, award those employees credit for any accrued and unused paid time off that the employees have with the Debtors at the time of the Closing (the "***PTO Credit***"); provided, however that (i) the PTO Credit shall not exceed any cap that Purchaser places on the accrual of paid time off for its employees, and (ii) except to the extent required by applicable law, such hired employees shall not have the option to receive cash in respect of the PTO Credit. Any potential employees shall be required to be in good standing with the Debtors and, to the extent previously employed by Purchaser, shall also have been in good standing with Purchaser prior to

their termination. The (i) amount of any such PTO Credit received by any former employee of the Debtors and (ii) the amount of any PTO used by such employee after the Petition Date in accordance with the Wage Order shall be applied to and reduce any Allowed Priority Claim that such employee holds against the Estates.

3.2.5 Class 5 – Unsecured Claims. This Class consists of all Allowed Unsecured Claims. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment, each holder of an Allowed Unsecured Claim shall be entitled to receive such holder's *pro rata* share of Cash available from the liquidation or disposition of the Assets after payment of or reserve for Allowed Claims described in **Sections 2, 3.2.3 and 3.2.4** of this Plan on the later of: (a) the date or dates determined by the Plan Administrator, to the extent there is Cash available for distribution in the judgment of the Plan Administrator, having due regard for the anticipated and actual expenses, and the likelihood and timing, of the process of liquidating or disposing of the Assets; and (b) the date on which such Claim becomes Allowed.

3.2.6 Class 6 – Subordinated Claims. This Class consists of all Allowed Subordinated Claims. Each holder of an Allowed Claim in this Class shall receive no distribution on account of such Claims.

3.2.7 Class 7 – Interests. Each holder of an Interest will not receive any distribution on account of such Interest. Each holder of an Interest shall not receive or retain an Interest or other property or interests of the Debtors on account of such Interest.

SECTION 4. ACCEPTANCE OR REJECTION OF THE PLAN

4.1 ***Impaired Classes Vote.*** In accordance with Section 1126(c) of the Bankruptcy Code and except as provided in Section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Plan if this Plan is accepted by the holders of at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject this Plan.

4.2 ***Presumed Acceptance of the Plan***. Classes 1, 3 and 4 are Unimpaired under this Plan and are, therefore, conclusively presumed to have accepted this Plan pursuant to Section 1126(f) of the Bankruptcy Code.

4.3 ***Presumed Rejection of the Plan***. Classes 6 and 7 are not entitled to receive or retain any property under this Plan and are, therefore, conclusively presumed to have rejected this Plan pursuant to Section 1126(g) of the Bankruptcy Code.

4.4 ***Voting Class***. Classes 2 and 5 are Impaired, and the holders of Claims in those Classes are entitled to vote on the Plan.

4.5 ***Nonconsensual Confirmation***. The Debtors request entry of a Confirmation Order under Bankruptcy Code Section 1129(a). With respect to any Impaired Class, including any Class of Claims or Interests created pursuant to amendments or modifications to this Plan, that does not accept the Plan, the Debtors request that the Bankruptcy

Court confirm this Plan by Cramdown with respect to any such non-accepting Class or Classes at the Confirmation Hearing, and the filing of this Plan shall constitute a motion for such relief.

SECTION 5. MEANS FOR IMPLEMENTATION OF PLAN

5.1 ***Consummation of Sale Transaction***. On the Effective Date, the Debtors shall consummate the sale transaction pursuant to the terms of the Sale Order and APA.

5.2 ***Funding for this Plan***. This Plan will be funded from the 9019 Contribution, the proceeds of the Asset Sale, the Exit Facility and all other remaining Assets of the Debtors that are not Purchased Assets, including Cash and charitable contributions of third-parties specifically designated for such purpose. On the Effective Date, the 9019 Contribution shall be remitted to the Reorganized Debtors and the Reorganized Debtors shall take all action necessary to execute the Exit Facility documents. On the Effective Date, counsel to the Debtors is directed and authorized to release the Contribution Funds held in its client trust account to the Reorganized Debtors which Contribution Funds, when released, shall be deemed a payment of $300,000 against the 9019 Contribution.

5.3 ***Implementation***. This Plan will be implemented by the Plan Administrator in a manner consistent with the terms and conditions set forth in this Plan and the Confirmation Order. All actions taken under this Plan in the name of the Debtors or Reorganized Debtors, as applicable, shall be taken through the Plan Administrator. As set forth more fully in this Plan, the Plan Administrator shall be responsible for the liquidation of the Reorganized Debtors' remaining Assets, administration of the Plan and the wind-down of the Reorganized Debtors and their Estates post-Effective Date. On the Effective Date, the Reorganized Debtors' Boards of Directors shall be relieved of all further responsibilities, and the Reorganized Debtors' Directors shall be deemed to have resigned therefrom, and the operation of the Reorganized Debtors shall become the general responsibility of the Plan Administrator.

5.4 ***Corporate Action***. All matters provided under this Plan involving the corporate structure of the Reorganized Debtors or corporate action to be taken by or required of the Reorganized Debtors, shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement or further action by directors of the Reorganized Debtors.

5.5 ***Vesting of Assets in the Reorganized Debtors***. As of the Effective Date, and except as otherwise provided in this Plan, pursuant to the provisions of Bankruptcy Code Section 1141(b) and (c), all Assets shall vest in the Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges, membership interests and other interests, subject to the terms and conditions of this Plan and the Confirmation Order. Notwithstanding the foregoing or any other provisions of this Plan, the indenture trustee for the holders of the New Hospital Bonds and the holders thereof shall have all rights, liens and claims set forth in and under the New Hospital Bond Documents, the Exit Facility will be secured as specified in this Plan, and all holders of Allowed Claims shall be entitled to the treatment specified in this Plan.

5.6 ***Continuing Existence***. From and after the Effective Date, the Reorganized Debtors shall continue in existence for the purposes of (i) winding up their affairs

as expeditiously as reasonably possible, (ii) liquidating, by conversion to Cash, or other methods, all remaining Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Reorganized Debtors, including, without limitation, the prosecution of Causes of Action, (iv) resolving disputed Claims, (v) administering this Plan, (vi) filing all final cost reports reflecting the Debtors' operation of the Facility prior to the Closing and (vii) filing appropriate tax returns. All of the foregoing actions shall be taken by the Plan Administrator on behalf of the Reorganized Debtors. Following the Effective Date, the Reorganized Debtors shall not engage in any business activities or take any actions, except those necessary to consummate this Plan and wind up the affairs of the Reorganized Debtors.

5.7 ***Substantive Consolidation of Consolidated Debtors for Plan Purposes***. The Plan shall constitute a motion, pursuant to Section 105(a) of the Bankruptcy Code, to substantively consolidate the Consolidated Debtors. Subject to the occurrence of the Effective Date and effective on the Effective Date, the Consolidated Debtors shall be substantively consolidated for all of those purposes and actions associated with confirmation and consummation of the Plan. On and after the Effective Date, (a) all assets and liabilities of each of the Consolidated Debtors shall be treated as though they were merged into a single Estate solely for purposes of the Plan, (b) for all purposes associated with the Plan, the Estates of each of the Consolidated Debtors shall be deemed to be one consolidated estate, (c) each and every Claim filed, to be filed in the Chapter 11 Cases or otherwise asserted against any of the Consolidated Debtors shall be deemed filed against the merged estate and (d) the Consolidated Debtors shall be treated as though they were merged into a single estate for the purposes of calculating U.S. Trustee Fees. In accordance with the foregoing, all Intercompany Claims shall be extinguished and shall not be entitled to any distributions under the Plan. All guarantees of any Debtor of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the Consolidated Debtors.

5.8 ***The 9019 Settlement***. The distributions provided for hereunder with respect to the Bond Claim incorporate and reflect the 9019 Settlement including, *inter alia*, the 9019 Contribution, the treatment for Class 2 Claims under this Plan, and the release terms relating to the Existing Bonds hereunder and under the Sale Order. The Plan shall constitute a motion to approve the 9019 Settlement. Subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of the 9019 Settlement pursuant to Bankruptcy Rule 9019 and a finding by the Bankruptcy Court that the 9019 Settlement is in the best interest of the Debtors and their Estates and in the best interests of the holders of the Existing Bonds. If the Effective Date does not occur, the 9019 Settlement shall be deemed to have been withdrawn without prejudice to the respective positions of the parties.

5.9 ***Issuance of New Hospital Bonds; Exemption From Securities Laws***. The New Hospital Bonds shall be issued pursuant to and in accordance with the New Hospital Bond Documents on or in connection with the Effective Date. The issuance of the New Hospital Bonds shall be exempt from registration under any federal, state or local law, rule or regulation pursuant to Section 1145 of the Bankruptcy Code or other applicable law. Any person who solicits or participates in the offer, issuance, sale or purchase of the New Hospital Bonds issued under, or in accordance with, this Plan, in good faith and in compliance with the applicable

provisions of the Bankruptcy Code, is not liable, on account of such solicitation or participation, for violation of an applicable law, rule or regulation governing solicitation of acceptance or rejection of this Plan or the offer, issuance, sale or purchase of securities pursuant thereto.

5.10 ***Causes of Action***. Except as otherwise set forth in this Plan, all Causes of Action of the Debtors shall survive confirmation of this Plan and the commencement and/or prosecution of such Causes of Action by the Plan Administrator or otherwise shall not be barred or limited by *res judicata* or any estoppel, whether judicial, equitable or otherwise. The Plan Administrator shall have the authority to commence and/or prosecute Causes of Action of the Debtors and/or Reorganized Debtors. The Plan Administrator may authorize the Post Effective Date Committee to commence and/or prosecute any Causes of Action of the Debtors and/or Reorganized Debtors and, if so authorized by the Plan Administrator, the Post Effective Date Committee shall have standing to commence and/or prosecute such Causes of Action.

5.11 ***Agreements, Instruments, and Documents***. All organizational agreements, charter documents, instruments, and documents required under this Plan to be executed or implemented, together with such others as may be necessary, useful or appropriate in order to effectuate this Plan shall be executed on or before the Effective Date or as soon thereafter as is practicable.

5.12 ***Closing of the Debtors' Chapter 11 Cases***. When all disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed, and all Assets have been liquidated and converted into Cash (other than those Assets abandoned), and such Cash has been distributed in accordance with this Plan, or at such earlier time as the Plan Administrator deems appropriate, the Plan Administrator shall seek authority from the Court to close the Reorganized Debtors' Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

5.13 ***Corporate Dissolution***. Upon the distribution of all Assets pursuant to this Plan and the filing by the Plan Administrator of a certification to that effect with the Court (which may be included in the application for the entry of the final decree), the Reorganized Debtors shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of Reorganized Debtors or payments to be made in connection therewith, ***provided***, ***however***, that the Reorganized Debtors may take appropriate action to dissolve under applicable law and provide for the appropriate disposition of any restricted charitable donations consistent with their obligations under the APA. From and after the Effective Date, the Reorganized Debtors shall not be required to file any document, or take any action, to withdraw their business operations from any states where the Reorganized Debtors previously conducted business.

5.14 ***Bar Date for Fee Claims***. Each Person retained or requesting compensation in these Chapter 11 Cases, pursuant to Bankruptcy Code Sections 330, 331, and/or 503(b), must file with the Court an application for allowance of any Fee Claims within forty five (45) days after the Effective Date. All such Fee Claims for which an application is not timely filed shall be forever barred. Objections to each such application may be filed in accordance with the Bankruptcy Rules. The Court shall determine all such Fee Claims.

5.15 ***Bar Date for Other Administrative Claims***. Unless this Plan or the Court fixes a different date, with the exception of Fee Claims, all Administrative Claims must be filed no later than thirty (30) days after the Effective Date. All such Claims not timely filed shall be forever barred. The Plan Administrator may object to the allowance of any such Claim filed before, on, or after the Effective Date.

5.16 ***Further Authorization***. The Reorganized Debtors or the Plan Administrator shall be entitled to seek such orders, judgments, injunctions and rulings from the Court, in addition to those specifically listed in this Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to the provisions of this Plan. The Court shall retain jurisdiction to enter such orders, judgments, injunctions and rulings.

5.17 ***Post Effective Date Committee***. On the Effective Date, the Committee shall continue as the Post Effective Date Committee until such time as all distributions on account of all Allowed Unsecured Claims have been completed, at which time the Post Effective Date Committee shall be dissolved and all requirements in the Plan respecting the approval of or consultation with the Post Effective Date Committee shall be terminated. 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. 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. The Post Effective Date Committee shall have the power and authority to utilize the services of its counsel 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 members of the Post Effective Date Committee shall serve without compensation. The Committee is currently a defendant in an adversary proceeding commenced by the Debtors (Adversary Proceeding No. 14-09007). After the Effective Date, the Post Effective Date Committee shall have standing and authority to continue the defense and prosecution of the Committee's position as a defendant in Adversary Proceeding No. 14-09007.

5.18 ***Post Effective Date Fees and Expenses.*** From and after the Effective Date, the Reorganized Debtors and their Estates shall be responsible for the payment of all reasonable and necessary fees and expenses of professionals retained by the Post Effective Date Committee from the Post Confirmation Administrative Reserve. The Post Effective Date Committee's professionals shall submit invoices to the Plan Administrator and if no objection to such invoices are received within ten (10) days of service, the Plan Administrator may pay such invoice without the need for Court approval. If a timely objection is received the Plan Administrator may pay the undisputed portion of such invoice, may pay the disputed portion of such invoice upon resolution, and any unresolved dispute shall be resolved by the Court.

SECTION 6. PLAN PROVISIONS REGARDING PLAN ADMINISTRATOR

6.1 ***Appointment of the Plan Administrator***. The Confirmation Order shall provide for the appointment of the Plan Administrator. The Debtors shall file a notice identifying the Plan Administrator and the Plan Administrator's hourly rate as part of the Initial

Plan Supplement. The Plan Administrator shall be a third-party non-affiliate of the Debtors with sufficient expertise and experience liquidating a Chapter 11 case. The Plan Administrator shall be deemed the Estates' representative in accordance with Bankruptcy Code Section 1123 and shall have all powers, authority and responsibilities specified in this Plan, including, without limitation, the powers of a trustee under Bankruptcy Code Sections 704 and 1106.

6.2 ***Powers and Duties of the Plan Administrator***. The Plan Administrator will act for the Reorganized Debtors in a fiduciary capacity as applicable to a board of directors and shall be responsible for the liquidation of the Reorganized Debtors' remaining Assets, administration of the Plan and wind-down of the Reorganized Debtors and their Estates post-Effective Date, subject to the provisions of this Plan. The powers and duties of the Plan Administrator shall include:

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

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

(c) 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;

(d) to administer the Post Confirmation Administrative Reserve and all other Assets;

(e) subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), to pay the fees and expenses for the attorneys, consultants, agents, employees and professionals engaged by the Plan Administrator and attorneys for the Post Effective Date Committee and to pay all other expenses in connection with administering the Plan and winding down the affairs of the Reorganized Debtors in each case from the Post Confirmation Administrative Reserve, subject to the terms of this Plan;

(f) to execute and deliver all documents, and take all actions, necessary to consummate the Plan and wind-down the Reorganized Debtors' business, including, without limitation, to comply with any Exit Facility and effectuate the dissolution of the Reorganized Debtors;

(g) with the consent of the Post Effective Date Committee, to use, sell at public or private sale, assign, transfer, abandon or otherwise dispose of any of the Assets and convert the same to Cash;

(h) to coordinate and interface with Purchaser regarding the outstanding Receivables pursuant to the terms of the Services Agreement;

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

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

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

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

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

(n) subject to **Section 8.15** of this Plan, to object to Claims;

(o) subject to **Section 8.16** of this Plan, to compromise and settle Claims;

(p) to act on behalf of the Reorganized Debtors and the Estates 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 subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld) or Order of the Court, to settle, retain, enforce, dispute or adjust any claim or Causes of Action and otherwise pursue actions involving the Assets that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise waived or relinquished in the Plan;

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

(r) 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.

In the event the Plan Administrator and the Post Effective Date Committee are unable to reach a unanimous consensus respecting any matters which require prior approval or consent of the Post Effective Date Committee, either party may bring such matter to the Court for resolution and the Plan Administrator shall be authorized to act in accordance with any ruling of the Court. Except as specified in this Plan, the Plan Administrator may, in the ordinary course of business, satisfy any liabilities and expenses incurred by the Plan Administrator in the ordinary course of business without further notice, hearing or approval of the Court.

6.3 ***Plan Administrator Compensation and Employment of Professionals***. The compensation of the Plan Administrator shall be at the Plan Administrator's customary hourly rate. Subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), the Plan Administrator is authorized, without further order of the Court, to employ such Persons, including professionals, as the Plan Administrator may deem

necessary to enable it to perform its functions hereunder. The Plan Administrator and Persons employed by the Plan Administrator shall be compensated and reimbursed for their reasonable and necessary fees and out-of-pocket expenses on a monthly basis from the Post Confirmation Administrative Reserve. The Plan Administrator and Persons employed by the Plan Administrator shall submit invoices to the Post Effective Date Committee, and if no objection to such invoices are received within ten (10) days of service, the Plan Administrator may pay such invoice without the need for Court approval. If a timely objection is received the Plan Administrator may pay the undisputed portion of such invoice, may pay the disputed portion of such invoice upon resolution, and any unresolved dispute shall be resolved by the Court.

6.4 ***No Agency Relationship***. The Plan Administrator shall not be deemed to be the agent of any of the holders of Claims in connection with the funds held or distributed pursuant to this Plan. The Plan Administrator shall not be liable for any mistake of fact or law or error in judgment or any act or omission of any kind unless it constitutes gross negligence or willful misconduct or breach of fiduciary duty on the part of the Plan Administrator. The Plan Administrator shall be indemnified and held harmless, including the cost of defending such claims and attorneys' fees in seeking indemnification, by the Estates against any and all claims arising out of his duties under the Plan, except to the extent his actions constituted gross negligence or willful misconduct or breach of fiduciary duty. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon any statement, instrument, opinion, report, notice, request, consent, order, or other instrument or document which he believes to be genuine and to have been signed or presented by the proper party or parties. The Plan Administrator may rely upon information previously generated by the Reorganized Debtors and such additional information provided to him by former employees of the Reorganized Debtors.

6.5 ***Plan Administrator's Bond***. The Plan Administrator shall obtain and maintain a bond in an amount equal to 110% of the Cash held by the Reorganized Debtors and the Estates as of the Effective Date and thereafter.

6.6 ***Reporting***. Until a final decree closing the Chapter 11 Cases is entered, the Plan Administrator shall comply with any requisite reporting requirements established pursuant to the guidelines of the U.S Trustee. The Plan Administrator shall also provide to the Post Effective Date Committee quarterly reports regarding the wind-down of the estate which shall include, without limitation, a balance sheet, a statement of income and expenses, and update regarding ongoing liquidation and wind-down of the Reorganized Debtors' Assets. The Plan Administrator shall be available for telephone consultation with the Post Effective Date Committee as reasonably requested, and shall provide such other reports and information as the Post Effective Date Committee may reasonably request from time to time.

6.7 ***Resignation, Death or Removal of Plan Administrator***. The Plan Administrator may resign at any time upon not less than thirty (30) days' written notice to the Post Effective Date Committee. The Plan Administrator may be removed at any time by the Post Effective Date Committee for cause upon proper application to, and Final Order of, the Court. In the event of the resignation, removal, death or incapacity of the Plan Administrator or any other vacancy in the position of Plan Administrator, the Post Effective Date Committee may nominate a successor Plan Administrator and the appointment will be determined by the Court. No

successor Plan Administrator hereunder shall in any event have any liability or responsibility for the acts or omissions of his or her predecessors.

SECTION 7. EXECUTORY CONTRACTS

7.1 ***Assumption of Assigned Contracts.*** Pursuant to the Sale Order and the APA, the Assigned Contracts shall be assumed and assigned pursuant to Bankruptcy Code Section 365 as of the Asset Sale Closing Date. Cure Payments, if any, shall be made in accordance with the Sale Order and APA within five (5) business days of the Asset Sale Closing Date.

7.2 ***Rejection of Excluded Contracts.*** Except as otherwise set forth in this Plan each contract of the Debtors that is not an Assigned Contract that has not expired by its own terms before the Asset Sale Closing Date shall be rejected as of the Asset Sale Closing Date. As of the Asset Sale Closing Date, except as otherwise set forth in the APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded shall be terminated and deemed rejected. Except as otherwise set forth in the APA, all employees currently employed by the Debtors under such agreements as of the Asset Sale Closing Date shall be terminated thereon.

7.3 ***Rejection Damages.*** Any Claim for damages arising from the rejection of any executory contract or unexpired lease under this Plan must be filed with the Court and served upon the Debtors within forty five (45) days after the Asset Sale Closing Date or such other deadline established by the Court. Any Claim arising from the rejection of an executory contract or unexpired lease not filed within such time will be forever barred from receiving any distribution under this Plan or asserting any Claims against the Debtors, the Estates or the Plan Administrator.

7.4 ***Insurance Contracts***. The Debtors do not believe that any insurance policies issued to, or insurance agreements entered into prior to the Petition Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything contained in this Plan to the contrary, the Plan will constitute a motion to assume such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order will constitute approval of such assumption, pursuant to § 365(a) of the Bankruptcy Code. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy or agreement.

7.5 ***Retiree Health Insurance Benefits***. For the avoidance of doubt, to the extent not previously terminated by the Debtors, as of the Effective Date, the Retiree Health Insurance Benefits shall be terminated and no further payments shall be made under such Retiree Health Insurance Benefits to any participants.

SECTION 8. DISTRIBUTION PROVISIONS

8.1 ***No Distributions on Account of Claims That Have Not Become Allowed Claims***. Notwithstanding any other provision of this Plan, no payment or distribution shall be made with respect to any Claim that has not become an Allowed Claim, except that the Plan Administrator may distribute consideration attributable to any undisputed portion of a Claim and withhold the remainder.

8.2 ***Reserves for Claims That Have Not Become Allowed Claims***. Distributions on account of Claims that have not become Allowed Claims shall be governed by the following provisions:

(a) Except as otherwise provided under this Plan, the Plan Administrator shall not be required to withhold funds or consideration, designate reserves, or make other provisions for the payment of any Claims that have been disallowed by a Final Order of the Court.

(b) Except as otherwise provided in this Plan, the Plan Administrator shall be required to reserve funds, designate reserves, or make other provisions for the payment of any Claims that have been disallowed by an order of the Court until such order becomes a Final Order.

(c) With respect to Claims that have not become Allowed Claims and that are not governed by subparagraph (1) or subparagraph (2) above, the Plan Administrator shall reserve sufficient funds to allow for a distribution in accordance with the terms of this Plan, on account of the distribution attributable to such holders' Claims or as otherwise provided pursuant to any order of the Court with respect to the amount, if any, to be reserved; ***provided***, ***however***, that the Plan Administrator, as applicable, shall distribute consideration attributable to any undisputed portion and shall withhold and reserve the remainder. The Court may, after notice and a hearing (as defined in Bankruptcy Code Section 102), fix a lesser amount than the distribution amount as the amount on account of which consideration shall be withheld. In the case of Claims not stating an amount, the Plan Administrator, or any holder of such Claims may request that the Court, after notice and a hearing (as defined in Bankruptcy Code Section 102), determine an amount. Cash withheld pursuant to this subparagraph will be held in a segregated, interest-bearing fund or funds. Such Cash will be released when and if Claims are Allowed and disallowed and shall be distributed in accordance with this Plan.

8.3 ***Persons Responsible for Distribution of Plan Consideration.*** The Plan Administrator shall disburse all consideration to be distributed under this Plan and shall act as a disbursing agent. For the avoidance of doubt, with respect to any distribution constituting New Hospital Bonds, such bonds shall be issued through DTC, to the holders of Existing Bonds of record as of the Distribution Record Date and all other distributions under the Plan relating to the Existing Bonds shall be made to the Bond Trustee.

8.4 ***Unclaimed Cash***. If any Person entitled to receive Cash under this Plan cannot be located on the date a distribution under this Plan is due, such Cash will be set aside and held in a segregated fund to be maintained by the Plan Administrator. If such Person is located within one hundred and twenty (120) days of the date of distribution, such Cash will be paid to

such Person. If such Person cannot be located within one hundred and twenty (120) days of the date of distribution, any such Cash and accrued interest thereon shall be released to the Plan Administrator and distributed in accordance with this Plan and such Person shall not be entitled to any amounts in connection with such distribution or any subsequent distribution and the Claims of such person to which such Cash relates shall be discharged and forever barred from assertion against the Reorganized Debtors and their property or the Plan Administrator. Nothing contained in this Plan shall require the Plan Administrator to attempt to locate such Person. It is the obligation of each Person claiming rights under this Plan to keep the Plan Administrator advised of their current address by sending written notice of any changes to the Plan Administrator.

8.5 ***Unnegotiated Distribution Checks***. Checks or drafts issued pursuant to this Plan to Persons holding Allowed Claims and not presented for payment within one hundred and twenty (120) days following mailing thereof to the last known address of such Person shall be deemed nonnegotiable thereafter. Any Claim in respect of such distribution shall be discharged and forever barred from assertion against the Reorganized Debtors and their property or the Plan Administrator. Any distribution which is deemed nonnegotiable shall re-vest with the Plan Administrator and be available for distribution consistent with the Plan.

8.6 ***Fractional Dollars***. Any other provision of this Plan notwithstanding, no payments of fractional dollars will be made to any holder of an Allowed Claim. Whenever any payment of a fraction of a dollar to any holder of an Allowed Claim would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest whole dollar (up or down).

8.7 ***Distribution Dates***. Whenever any distribution to be made under this Plan is due on a day other than a Business Day, such distribution will instead be made, without penalty or interest, on the next Business Day.

8.8 ***Bankruptcy Code Sections 509, and 510***. Distributions under this Plan will be governed by the provisions of Bankruptcy Code Sections 509 or 510 where applicable.

8.9 ***Distributions to be Applied First to Administrative and Priority Claims***. To the extent any holder of an Allowed Claim receives any distribution(s) under this Plan by the Plan Administrator on account of such Claims, said distribution(s) shall be applied by the recipient first to satisfy any Allowed Administrative Claims, Allowed Priority Tax Claims, or other Allowed Claims of the recipient against the Debtors which are entitled to priority under Bankruptcy Code Sections 503 or 507 and, only after all such priority Claims are fully satisfied, to any Allowed Claims not entitled to such priority.

8.10 ***Estimation of Claims***. The Plan Administrator may, at any time, request that the Bankruptcy Court (or District Court, as applicable) estimate any Claim not expressly Allowed by the terms of the Plan and otherwise subject to estimation under Section 502(c) of the Bankruptcy Code and for which the Debtors may be liable under the Plan, including any Claim for taxes, to the extent permitted by Section 502(c) of the Bankruptcy Code, regardless of whether any party-in-interest previously objected to such Claim. In the event that the Bankruptcy Court (or District Court, as applicable) estimates any contingent or unliquidated

Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court (or District Court, as applicable) . If the estimated amount constitutes a maximum limitation on such Claim, the Plan Administrator may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated by the Bankruptcy Court (or District Court, as applicable) and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court (or District Court, as applicable).

8.11 ***Chapter 5 Provisions***. No distribution or payment shall be made to any holder of an Allowed Claim who is also a potential defendant in an avoidance action under Chapter 5 of the Bankruptcy Code until a decision is made by the Plan Administrator not to commence the potential avoidance action, or, in the event the potential avoidance action is commenced by the Plan Administrator, until resolution of such avoidance action. Notwithstanding this Section, the making of a distribution to such potential defendant or the lack of any objection filed to such Allowed Claim on the basis of such potential avoidance action, shall not constitute a waiver of any rights of the Debtors or the Plan Administrator, as the case may be. For purposes of the Plan, such distribution or payment on account of such Allowed Claim shall be held in reserve as if it were a disputed Claim. For the avoidance of doubt, the foregoing terms shall not apply to the Bond Claim due to the releases under the Plan.

8.12 ***Third-Party Agreements***. Except as set forth herein, all subordination agreements entered into by any parties in interest shall be enforceable to the extent permitted by applicable law.

8.13 ***Orders Respecting Claims Distribution***. After confirmation of this Plan, the Court shall retain jurisdiction to enter orders in aid of consummation of this Plan with respect to distributions under this Plan and to resolve any disputes concerning distributions under this Plan.

8.14 ***Special Provisions for Treatment of Medical Malpractice/Personal Injury/Worker's Compensation Claims***.

(a) Distributions under the Plan to each holder of a Claim asserted or which can be asserted against any of the Debtors on account of or related to purported liability resulting either from the provision of medical services, including personal injury or wrongful death claims, or any other personal injury or worker's compensation claim. shall be in accordance with the treatment provided under the Plan for Unsecured Claims as applicable; provided, however, no distributions shall be made, and no reserve shall be made by the Plan Administrator for any amount, for or attributable to any portion of such a claim that is covered by insurance.

(b) Nothing in this **Section 8.14** of the Plan is intended to, shall, or shall be deemed to preclude any holder of a Claim of the type described in this Section from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors.

(c) The Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted in any proof of claim or the Debtors rights and defenses to such proofs of claim.

8.15 ***Objections to Claims***. As soon as practicable, but in no event later than one hundred and eighty (180) days after the Effective Date, the Plan Administrator may object to the allowance of any Claim, ***provided however***, the Plan Administrator may not object to any Claim once it becomes an Allowed Claim. The foregoing deadline may be extended by the Court upon request of the Plan Administrator upon notice to the Post Effective Date Committee, and such other parties as shall request such notice after the confirmation of this Plan. Nothing contained herein, however, shall limit the right of the Plan Administrator to object to Claims, if any, filed or amended after the Effective Date.

8.16 ***Settlement of Disputed Claims***.

(a) Pursuant to Bankruptcy Rule 9019(b), subject to **Section 8.16(b)** below, the Plan Administrator may settle any disputed Claim, respectively, without notice, or Court approval.

(b) The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of (i) any disputed Administrative Claim, Priority Tax Claim, Secured Claim, or Unsecured Priority Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Claim being Allowed in an amount in excess of $25,000, and (ii) any disputed Unsecured Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Claim being allowed in an amount in excess of $200,000. 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. 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 further notice or Court approval. If a written objection is timely received, the Plan Administrator 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 Post Effective Date Committee may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice. Alternatively, the Plan Administrator may seek Court approval of the proposed settlement upon expedited notice and a hearing.

8.17 ***Setoffs***. The Plan Administrator may, pursuant to and in accordance with Bankruptcy Code Section 553 or applicable nonbankruptcy law, except as otherwise set forth in this Plan, set off against any Allowed Claim and the distributions to be made pursuant to this Plan on account of such Claim, the claims, rights and causes of action of any nature that the

Debtors may hold against the holder of such Allowed Claim, provided that the Plan Administrator gives the holder of such Allowed Claim notice of the proposed setoff and the holder of such Allowed Claim does not object to the proposed setoff within thirty (30) days; provided further, however, if the holder of such Allowed Claim timely objects to the proposed setoff, the setoff may not be effectuated without prior approval of the Court; provided further, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or Plan Administrator of any such claims, rights and causes of action that the Debtors may possess against such holder.

8.18 ***Distribution Cap.*** Except to the extent consistent with the treatment set forth in this Plan, no holder of an Allowed Claim shall receive in respect of that Claim any distribution in excess of the Allowed amount of that Claim.

8.19 ***De Minimus Distributions***. Notwithstanding anything to the contrary contained herein or in this Plan, if the amount of Cash to be distributed to the holder of an Allowed Claim is less than $20, the Plan Administrator may hold the Cash Distributions to be made to such holder until the aggregate amount of Cash to be distributed to such holder is in an amount equal to or greater than $20, if the Plan Administrator determines that the cost to distribute such Cash is unreasonable in relation to the amount of Cash to be distributed. Notwithstanding the preceding sentence, if the amount of Cash Distribution to such holder never aggregates to more than $20, then on the final Distribution Date, the Plan Administrator shall distribute such Cash to the holder entitled thereto.

8.20 ***Withholding Taxes***. In connection with the Plan, to the extent applicable, the Plan Administrator shall comply with all withholding and reporting requirements imposed on it by federal, state and local taxing authorities, and all distributions shall be subject to such withholding and reporting requirements. All Claims held by any holder of a Claim that fails to provide information reasonably requested by the Plan Administration in connection with such matters shall be discharged and forever barred from assertion against the Reorganized Debtors or their property.

8.21 ***Distribution Record Date.*** Except as otherwise provided in a Final Order of the Bankruptcy Court or as otherwise stipulated by the Debtors or Reorganized Debtors, as applicable, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the Holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Distribution Record Date. The Reorganized Debtors shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Record Date. In making any distribution with respect to any Claim, the Reorganized Debtors shall be entitled instead to recognize and deal with, for all purposes hereunder, only the Person that is listed on the Proof of Claim Filed with respect thereto or on the Schedules as the holder thereof as of the close of business on the Distribution Record Date and upon such other evidence or record of transfer or assignment that are known to the Reorganized Debtor as applicable, as of the Distribution Record Date. Except as expressly set forth in this Plan, the foregoing shall not apply to the Bond Claim.

SECTION 9. CONDITIONS PRECEDENT

9.1 ***Conditions to Confirmation.*** Confirmation of this Plan shall not occur and the Court shall not enter the Confirmation Order unless (i) all of the requirements of the Bankruptcy Code for Confirmation of this Plan with respect to the Debtors shall have been satisfied and receipt of approval of the waiver of transfer taxes in connection with the Asset Sale under Section 1146(a) of the Bankruptcy Code is obtained from the Bankruptcy Court; (ii) the Court shall have entered the Sale Order; and (iii) the Plan Documents, including the New Hospital Bond Documents, shall be in form and substance satisfactory to the Debtors, Purchaser and the Bond Trustee provided however, that the documents relating to the Exit Facility and any other documents that relate to the Receivables shall be acceptable to Purchaser in its sole and absolute discretion. If Confirmation shall not occur, this Plan shall be null and void and shall have no force nor effect, and this Plan shall be deemed withdrawn unless the Court shall have entered all orders (which may be orders included within the Confirmation Order) required to implement this Plan.

9.2 ***Waiver and Nonfulfillment of Conditions to Confirmation***. In the event that the Debtors determine that the conditions to confirmation which they may waive cannot be satisfied and should not, in their sole discretion, be waived, the Debtors may propose a new plan, may modify this Plan as permitted by law, or may request other appropriate relief. The Debtors cannot waive the condition specified in **Section 9.1(iii)** without the written consent of the Bond Trustee and the Purchaser.

9.3 ***Confirmation Order Provisions for Pre-Effective Date Actions***. The Confirmation Order shall empower and authorize the Debtors to take or cause to be taken, prior to the Effective Date, all actions which are necessary to enable it to implement the provisions of this Plan and satisfy all other conditions precedent to the effectiveness of this Plan.

9.4 ***Conditions to Effective Date***. The Effective Date shall not occur unless: (a) the Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to the Debtors, the Bond Trustee, the Purchaser, and the Committee; (b) the Plan Documents, including the New Hospital Bond Documents, shall be in form and substance satisfactory to the Debtors, the Bond Trustee and Purchaser provided however, that the documents relating to the Exit Facility and any other documents that relate to the Receivables shall be acceptable to Purchaser in its sole and absolute discretion; (c) no request for revocation of the Confirmation Order under Bankruptcy Code Section 1144 shall have been made and still be pending; (d) the Asset Sale Closing Date shall have occurred; and (e) all conditions precedent to the issuance of the New Hospital Bonds shall have been satisfied or waived, including the requirements that nationally recognized bond counsel is prepared to issue an opinion acceptable to the Bond Trustee that interest income from the New Hospital Bonds will be exempt from federal income taxation.

9.5 ***Nonfulfillment of Conditions to Effective Date***. In the event that the Debtors determine that the conditions to the Effective Date set forth in the immediately foregoing paragraph of this Plan cannot be satisfied, or if the Effective Date does not occur on or before May 9, 2014, this Plan shall be null and void and shall have no force nor effect, and this Plan shall be deemed withdrawn unless this date is extend by agreement of the Debtors, the

Purchaser, the Committee and Bond Trustee in writing. Under the foregoing conditions, (i) the 9019 Settlement shall be deemed withdrawn and of no force or effect absent the written consent of the Bond Trustee, (ii) the Debtors may propose a new plan, may modify this Plan as permitted by law, or may request other appropriate relief, and (iii) any fees earned under any management services agreement between the Debtors and the Purchaser pursuant to the APA, will become immediately due and payable and shall constitute an Administrative Claim against the Debtors' Estates. The Debtors shall not waive the conditions specified in (A) **Section 9.4** or the deadline for the occurrence of the Effective Date specified in **Section 9.5** without the prior written consent of the Bond Trustee and the Purchaser; and (B) **Sections 9.4(a),(c),or (d)** or the deadline for the occurrence of the Effective Date specified in **Section 9.5** without the prior written consent of the Committee.

9.6 ***Effective Date Events***. On the Effective Date, the following actions shall have taken place: (a) all payments to be made on the Effective Date and all other actions to be taken on or before the Effective Date pursuant to this Plan by the Reorganized Debtors shall be made or taken or duly provided for; (b) any documents, including orders or agreements, necessary to implement this Plan as of the Effective Date must be executed; and (c) all other events and actions specified in this Plan to occur on the Effective Date. Within seven (7) days of the occurrence of the Effective Date, the Plan Administrator or Reorganized Debtors shall file a notice of occurrence of the Effective Date with the Bankruptcy Court.

SECTION 10. EFFECTS OF PLAN CONFIRMATION

10.1 ***Satisfaction of Claims.*** Holders of Claims shall receive the distributions provided for in this Plan, if any, in full settlement and satisfaction of the Debtors' obligations thereunder, and any interest accrued thereon.

10.2 ***Interest on Claims.*** Except as specifically provided for in this Plan or the Confirmation Order, interest shall not accrue on Claims and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

10.3 ***Releases by the Debtors.*** **Pursuant to Section 1123(b) of the Bankruptcy Code and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtor(s) and the Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtor(s), the Estates or their affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Existing Bonds, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in this Plan, the**

business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Asset Sale, this Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents (collectively, the "*Debtor Released Claims*").

10.4 ***Releases by Holders of Claims.*** **As of the Effective Date and except as set forth in this Plan, each holder of a Claim or Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Person would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Existing Bonds, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in this Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Asset Sale, this Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents (collectively, "Released Claims"), other than Released Claims against a Released Party arising out of or relating to any act or omission of that Released Party constituting willful misconduct, criminal conduct, or gross negligence. No provision of this Plan, including without limitation, any release or exculpation provision, shall modify, release, or otherwise limit the liability of any Person other than the Released Parties and the Exculpated Parties, including without limitation, any Person that is a co-obligor, guarantor or joint tortfeasor of a Released Party or Exculpated Party or that otherwise is liable under theories of vicarious or other derivative liability; and notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.**

To the extent a holder of a Claim voted to accept this Plan, and did not otherwise opt out, such holder of a Claim shall be bound by the release in this Section 10.4. To the extent a holder of a Claim or Interest either (i) voted to reject this Plan, (ii) did not vote on this Plan or (iii) voted to accept this Plan but opted out, such holder of a Claim or Interest shall not be bound by the release in this Section 10.4 unless such holder of a Claim or Interest specifically opted to accept the release in this Section 10.4.

10.5 ***Exculpation.*** **Except as otherwise specifically provided in this Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim, obligation, cause of action or liability for any Exculpated Claim, except for gross negligence, willful misconduct, criminal conduct, breaches of fiduciary duties, or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct, but in all respects such Persons shall be entitled to**

reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to this Plan. The Debtors and each Exculpated Party (and each of their respective affiliates, agents, directors, members, officers, employees, advisors and attorneys) have, and upon Confirmation of this Plan shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and applicable non-bankruptcy law with regard to the solicitation and distribution of securities pursuant to this Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of this Plan or such distributions made pursuant to this Plan.

10.6 ***Injunction*. Except as otherwise provided in this Plan or the Confirmation Order, as of the Effective Date all Persons that hold a Claim are permanently enjoined from taking any of the following actions against the Released Parties or any of their respective successors or assigns, or any of their respective assets or properties, on account of any Claim: (1) commencing or continuing in any manner any action or other proceeding with respect to a Claim; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a Claim; (3) creating, perfecting or enforcing any lien or encumbrance with respect to a Claim; or (4) commencing or continuing any action that does not comply with or is inconsistent with this Plan; provided, however, nothing in this injunction shall preclude the holder of a Claim from pursing any available insurance after the Chapter 11 Cases are closed or from seeking discovery in actions against third parties; and notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.**

10.7 ***No Recourse***. Notwithstanding that the Allowed amount of any particular Claim is reconsidered under the applicable provisions of the Bankruptcy Code and Bankruptcy Rules or is Allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse against the Debtors, the Estates, the Plan Administrator, the Released Parties or any of their respective professionals, consultants, officers, directors or members or their successors or assigns, or any of their respective property. However, except as specifically stated otherwise in the Plan, nothing in the Plan shall modify any right of a holder of a Claim under Section 502(j) of the Bankruptcy Code.

10.8 ***Abandoned Property***. Any and all property whose abandonment is or has been approved by the Court pursuant to the Bankruptcy Code shall remain abandoned forever; shall not thereafter be deemed to be property of the Debtors or the Plan Administrator; shall not at any time re-vest in the Debtors, and shall not otherwise, whether by conveyance or otherwise, ever become the property of the Debtors or their Estates.

10.9 ***Post-Effective Date Effect of Evidences of Claims***. Notes, shareholder certificates, and other evidences of liens or Claims against the Debtors shall, effective upon the

Effective Date, represent only the right to participate in the distributions or rights, if any, contemplated by this Plan.

10.10 ***Surrender of Instruments and Release of Liens***. Except as otherwise provided in this Plan or the Confirmation Order, each holder of an instrument evidencing a Claim against the Debtors or any of the property of the Debtors shall surrender such instrument to the Debtors or Plan Administrator, as applicable, and the Debtors or Plan Administrator shall distribute to the holder thereof the distributions provided for in this Plan. No distribution under this Plan shall be made to or on behalf of any holder of such Claim unless and until such instrument is received or the non-availability of such instrument is established to the satisfaction of the Debtors or Plan Administrator. Each Person who is to receive distributions under this Plan in complete satisfaction of a Secured Claim shall not receive such distributions until such creditor executes the release of its liens (in recordable form if requested by the Plan Administrator) and delivers the release to the Plan Administrator. Any such Person who fails to surrender such instrument or satisfactorily explain its non-availability or execute and deliver such release of liens within ten (10) days of the date such surrender, explanation, execution, or delivery as requested by the Plan Administrator shall be deemed to have no further Claim against the Debtors or property of the Debtors, shall not participate in any distribution under this Plan, and in such event upon motion of the Debtors and/or the Plan Administrator accompanied by appropriate evidence of such failure by affidavit or otherwise, the Court may enter an order requiring the act to be done at the cost of such Person by the Debtors and providing that such act when so done shall have like effect as if done by such Person or any other appropriate order. Notwithstanding the foregoing, the release and surrender provisions set forth in this **Section 10.10** shall not apply to the Bond Trustee for or the beneficial owners of the Existing Bonds.

10.11 ***Cancellation of Instruments.*** Except as otherwise provided in this Plan or the Confirmation Order, on the Effective Date, the Existing Bonds shall be cancelled, and the Existing Bonds and related Bond Documents shall continue in effect solely to the extent they relate to and are necessary to (i) allow applicable distributions pursuant to the Plan, (ii) permit the Bond Trustee to be compensated for fees and reimbursed for expenses including expenses of its professionals, assert its charging lien, enforce its indemnity and other rights and protections with respect to and pursuant to the Bond Documents, (iii) permit the Bond Trustee to set one or more record dates and distributions dates with respect to the distribution of funds to beneficial holders of the Existing Bonds, as applicable, (iv) permit the Bond Trustee to appear in the Chapter 11 Cases, and (v) permit the Bond Trustee to perform any functions that are necessary in connection with the foregoing clauses (i) through (iv).

10.12 ***Term of Stays***. Except as otherwise provided in this Plan, all injunctions and the stay provided for in the Debtors' Chapter 11 Cases pursuant to Bankruptcy Code Section 362, shall remain in full force and effect until the Reorganized Debtors' Chapter 11 Cases are closed.

Except as otherwise provided in this Plan, upon entry of the Confirmation Order, all Persons or entities who have held, hold, or may hold Claims or membership or other interests in the Debtors are permanently enjoined, on and after the Effective Date, with respect to all Claims and membership and other interests in the

Debtors from (a) commencing, conducting or continuing in any manner, directly or indirectly, any proceeding of any kind against or affecting the Debtors, the Released Parties, the Plan Administrator, or their property, (b) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any means or manner, whether directly or indirectly, any judgment, award, decree, or order against the Debtors, the Released Parties, the Plan Administrator, or their property, (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Released Parties, the Plan Administrator, or their property, (d) asserting any right of setoff, directly or indirectly, against any obligation due the Debtors, the Released Parties, the Plan Administrator, or their property, except as contemplated or allowed by this Plan, the Bankruptcy Code, or applicable law, (e) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of this Plan, (f) commencing, continuing or asserting in any manner any action or other proceeding of any kind with respect to any Claims and causes of action which are extinguished or released pursuant to this Plan, and (g) taking any action to interfere with the implementation and consummation of this Plan. Notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.

10.13 ***Retention of Jurisdiction***. Notwithstanding entry of the Confirmation Order or the Effective Date having occurred, the Court will retain jurisdiction to the fullest extent permitted by law, including jurisdiction to enter any orders or to take any action specified in this Plan, and including, without limitation, the following:

(a) To determine any motion, adversary proceeding, avoidance action, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;

(b) To hear and determine applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom;

(c) To ensure that distributions to holders of Allowed Claims are accomplished as provided in this Plan;

(d) To hear and determine objections to the allowance of Claims, whether filed, asserted or made before or after the Effective Date, including, without limitation, to hear and determine objections to the classification of Claims and the allowance or disallowance of disputed Claims, in whole or in part;

(e) To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim;

(f) To enter, implement, or enforce such Orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(g) To issue injunctions, enter and implement other Orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation, or enforcement of this Plan, the Confirmation Order or any other Order of this Court;

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

(i) To hear and determine all Fee Claims;

(j) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan, the Confirmation Order, the Sale Order or any transactions or payments contemplated hereby or thereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(k) To take any action and issue such Orders as may be necessary to construe, enforce, implement, execute, and consummate this Plan, including any release or injunction provisions set forth herein or in this Plan, or to maintain the integrity of this Plan following consummation;

(l) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(m) To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code Sections 346, 505, and 1146;

(n) To enter a final decree closing the Reorganized Debtors' Chapter 11 Cases;

(o) To recover all assets of the Debtors and property of the Estates, wherever located; and

(p) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code, title 28 of the United States Code and other applicable law.

10.14 ***Failure of the Court to Exercise Jurisdiction***. If the Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Cases, including with respect to the matters set forth above in this Section, this Section shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

SECTION 11. MISCELLANEOUS PROVISIONS

11.1 ***Exemption from Transfer Taxes***. Pursuant to Bankruptcy Code Section 1146(a), the issuance, transfer or exchange of notes or equity securities under this Plan, the creation or amendment of any mortgage, deed of trust or other security interest, the making or assignment of any lease or the making or delivery of any deed or other instrument of transfer, under, in furtherance of or in connection with this Plan, and any sale of the Assets pursuant to the APA and Sale Order or in furtherance of or in connection therewith, shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax.

11.2 ***Limited License.*** The Purchaser shall be permitted to continue to use the name "Saint Francis" on Individualized Education Program (IEP) student records and STAC student tracking records until June 30, 2014 solely as it relates to the Purchasers' continued operation of the Saint Francis Hospital Preschool Program.

11.3 ***Modification of Plan***. With the consent of the Committee, Bond Trustee and Purchaser, the Debtors may modify the Plan at any time prior to the entry of the Confirmation Order provided that the Plan, as modified, and the Disclosure Statement pertaining thereto meet applicable Bankruptcy Code requirements of Section 1125 of the Bankruptcy Code, among others. After the entry of the Confirmation Order, and with the consent of the Committee, the Bond Trustee and Purchaser, the Debtors may modify the Plan to remedy any defect or omission or to reconcile any inconsistencies in the Plan or in the Confirmation Order, as may be necessary to carry out the purposes and effects of the Plan, provided that: (i) the Debtors obtain approval of the Bankruptcy Court for such modification, after notice and a hearing; and (ii) such modification shall not materially and adversely affect the interests, rights, treatment, or Distributions of any Class under the Plan.

11.4 ***Revocation of this Plan***. The Debtors, with the written consent of the Purchaser, reserve the right to revoke or withdraw this Plan, prior to the Confirmation Date, for any reason deemed appropriate by the Debtors. If the Debtors revoke or withdraw this Plan, or if confirmation does not occur, then this Plan shall be null and void in all respects and nothing contained in this Plan shall constitute a waiver or release of any claims by or against, the Debtors, or prejudice in any manner the rights of the Debtors.

11.5 ***Preservation and Application of Insurance.*** The provisions of 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 or any claims against 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 naming the Debtors as an additional insured party, and the proceeds thereof shall be available to satisfy Claims to the extent such insurance policies cover such Claims. In addition, such insurance policies and proceeds thereof shall be available to satisfy Claims estimated pursuant to Section 502(c) of the Bankruptcy Code or in accordance with the Plan.

11.6 ***Successors and Assigns***. From and after the Effective Date, the rights, benefits and obligations of any Person named or referred to in this Plan shall be binding on, and

shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Person. The provisions of this Plan shall bind all holders of Claims, whether or not they have accepted the Plan.

11.7 ***Computation of Time***. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

11.8 ***Notices***. All notices or requests in connection with this Plan shall be in writing and given by mail or overnight mail (with a contemporaneous e-mail copy, which shall not constitute notice) addressed to:

NIXON PEABODY LLP
Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
437 Madison Avenue
New York, NY 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111

-and-

ALSTON & BIRD LLP
Martin G. Bunin
Craig Freeman
90 Park Avenue
New York, NY 10016
Telephone: (212) 210-9492
Facsimile (212) 922-3892

-and-

FARRELL FRITZ P.C.
Ted. A. Berkowitz
Kristina M. Wesch
1320 RXR Plaza
Uniondale, NY 11556-1320
Telephone: (516) 227-0700
Facsimile: (516) 336-2211

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.
Daniel S. Bleck, Esq.
One Financial Center
Boston, MA 02111
Telephone: (617) 542-6000
Facsimile: (617)542-2241

-and-

WALLER LANSDEN DORTCH & DAVIS, LLP
Robert P. Sweeter
Katie G. Stenberg
Blake D. Roth
Nashville City Center
511 Union Street, Suite 2700
Nashville, TN 37219
Telephone: (615)244-6380
Facsimile: (615) 244-6804

All notices and requests to Persons holding any Claim in any Class shall be sent to them at their last known address or to the last known address of their attorney of record in these Chapter 11 Cases. Any such holder of a Claim may designate in writing any other address for purposes of this Section, which designation will be effective upon receipt by the Debtors.

11.9 ***Headings.*** The headings used in this Plan are inserted for convenience only and neither constitute a portion of this Plan nor in any manner affect the construction of the provisions of this Plan.

11.10 ***Severability***. If, prior to confirmation, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

11.11 ***Validity and Enforceability***. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms. Should any provision in this Plan be determined by the Court or any appellate court to be unenforceable following the Effective Date, such determination shall in no way limit the enforceability and operative effect of any and all other provisions of this Plan.

11.12 ***Plan Supplement***. Any exhibits or schedules not filed with this Plan may be contained in the Initial or Final Plan Supplement, if any, and the Debtors hereby reserve the right to file such a Plan Supplement.

11.13 ***Controlling Documents***. (i) In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence and (ii) in the event and to the extent that any provision of this Plan or Confirmation Order is inconsistent with the Sale Order or APA, the Sale Order or APA, as the case may be shall control.

11.14 ***Reservation of Rights***. Except as expressly set forth herein, this Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order and the occurrence of the Effective Date.

11.15 ***Governing Law***. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflicts of laws, shall govern the rights, obligations, construction, and implementation of the Plan transactions consummated or to be consummated in connection therewith.

Dated: March 19, 2014
Poughkeepsie, New York

Respectfully submitted,

St. Francis' Hospital, Poughkeepsie, New York,

Saint Francis Home Care Services

Corporation,

SFH Ventures, Inc.,

Saint Francis Health Care Foundation, Inc.,

and

Saint Francis Hospital Preschool Program

By: /s/ Arthur Nizza, D.S.W.

Title: President and CEO of St. Francis' Hospital, Poughkeepsie, New York

Dated: March 19, 2014
New York, New York

/s/ Christopher M. Desiderio
Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
NIXON PEABODY LLP
437 Madison Avenue
New York, New York 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111
Counsel to the Debtors and Debtors in Possession

Schedule 1.1

9019 Contribution

Sources	Dollar Amount
Funds provided by Bond Trustee	$2,700,000
Contribution by Other Non-Debtor Parties	$300,000
Total:	**$3,000,000**

Schedule 1.64

New Hospital Bond Terms[2]

The Exchange Bond Obligations shall have an interest rate of 5.00% and a beginning principal amount equal to the Net Bond Amount and shall have the following additional terms:

- Term: 30 years
- Call Protection: 10 years
- Premiums:
    - 1% if a call occurs during year 11
    - 0.5% if a call occurs during year 12
- Debt Service Schedule: See attached schedule

Westchester County Health Care Corporation ("WCHCC") will be the issuer and shall be obligated to make payments under the Exchange Bond Obligations to the Master Trustee (as defined below). Payments of interest will be made semi-annually and payments of principal will be made annually based upon the schedule attached hereto. The Exchange Bond Obligations will be issued under the Master Trust Indenture, dated as of November 1, 2000, as supplemented and amended to date (the "Master Indenture"), between WCHCC and U.S. Bank, as successor master trustee (the "Master Trustee"), and shall be on a parity with all senior obligations of WCHCC outstanding under the Master Indenture. The Master Indenture and all other documents evidencing or securing the Exchange Bond Obligations or WCHCC's obligations with respect to the Exchange Bond Obligations shall be consistent with the terms and conditions set forth in this Schedule 3.1 and otherwise in form and substance reasonably satisfactory to the Bond Trustee. The Exchange Bond Obligations will not be secured with the Purchased Assets. They shall be secured on a parity basis by the collateral securing the other senior obligations of WCHCC under the Master Indenture, including, without limitation, (i) a pledge of the gross receipts of the Obligated Group and (ii) mortgages (collectively, the "Mortgage") on WCHCC's leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between Westchester County and WCHCC, of real property upon which WCHCC's health care facilities are located, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all obligations issued under the Master Indenture. Except as provided above, the Exchange Bond Obligations will not be secured with any further security interest in the Buyer's assets. There shall be no required debt service reserve fund or operating reserve fund associated with the Exchange Bond Obligations. The acceptance of the Exchange Bond Obligations will be subject to delivery of an acceptable opinion of bond counsel that interest income on such bonds will be exempt from federal and state income taxes. Any costs or fees associated with effecting

[2] Capitalized terms in this Schedule 1.64 not otherwise defined in the Plan shall have the meanings ascribed to them in the APA.

the Exchange Bond Obligations shall be borne by Buyer. WCHCC, at its expense, shall seek and receive ratings on the Exchange Bond Obligations immediately following their issuance equal to the rating that applies to WCHCC's existing senior obligations under the Master Indenture at the time of the issuance of the Exchange Bond Obligations, which ratings shall come from each of the credit rating agencies that then rate such senior obligations.

Schedule 1.64 (continued)

5.00% 30 Year Exchange Bond Obligations (Semiannual Interest Payments; Annual Principal Payments)
Schedule assumes a May 9 Closing Date. The actual debt service schedule will be adjusted to take account of the actual Closing Date.

5.00% Exchange Bonds with 30 yr maturity

Period Ending	Principal	Interest	Debt Service	Annual Debt Service	PV of Debt Service
11/1/2014	$0	$653,409	$653,409	$653,409	$638,216
5/1/2015	$0	$683,800	$683,800		$651,935
11/1/2015	$411,000	$683,800	$1,094,800	$1,778,600	$1,018,423
5/1/2016	$0	$673,525	$673,525		$611,479
11/1/2016	$432,000	$673,525	$1,105,525	$1,779,050	$979,297
5/1/2017	$0	$662,725	$662,725		$573,023
11/1/2017	$454,000	$662,725	$1,116,725	$1,779,450	$942,113
5/1/2018	$0	$651,375	$651,375		$536,389
11/1/2018	$477,000	$651,375	$1,128,375	$1,779,750	$906,611
5/1/2019	$0	$639,450	$639,450		$501,495
11/1/2019	$501,000	$639,450	$1,140,450	$1,779,900	$872,679
5/1/2020	$0	$626,925	$626,925		$468,196
11/1/2020	$526,000	$626,925	$1,152,925	$1,779,850	$840,102
5/1/2021	$0	$613,775	$613,775		$436,548
11/1/2021	$551,000	$613,775	$1,164,775	$1,778,550	$808,320
5/1/2022	$0	$600,000	$600,000		$406,429
11/1/2022	$579,000	$600,000	$1,179,000	$1,779,000	$779,231
5/1/2023	$0	$585,525	$585,525		$377,737
11/1/2023	$608,000	$585,525	$1,193,525	$1,779,050	$751,267
5/1/2024	$0	$570,325	$570,325		$350,364
11/1/2024	$639,000	$570,325	$1,209,325	$1,779,650	$724,867
5/1/2025	$0	$554,350	$554,350		$324,334
11/1/2025	$671,000	$554,350	$1,225,350	$1,779,700	$699,498
5/1/2026	$0	$537,575	$537,575		$299,542
11/1/2026	$704,000	$537,575	$1,241,575	$1,779,150	$675,010
5/1/2027	$0	$519,975	$519,975		$275,938
11/1/2027	$739,000	$519,975	$1,258,975	$1,778,950	$651,876
5/1/2028	$0	$501,500	$501,500		$253,427
11/1/2028	$777,000	$501,500	$1,278,500	$1,780,000	$630,378

5/1/2029	$0	$482,075	$482,075		$232,010
11/1/2029	$815,000	$482,075	$1,297,075	$1,779,150	$609,082
5/1/2030	$0	$461,700	$461,700		$211,623
11/1/2030	$856,000	$461,700	$1,317,700	$1,779,400	$589,302
5/1/2031	$0	$440,300	$440,300		$192,204
11/1/2031	$899,000	$440,300	$1,339,300	$1,779,600	$570,440
5/1/2032	$0	$417,825	$417,825		$173,685
11/1/2032	$944,000	$417,825	$1,361,825	$1,779,650	$552,340
5/1/2033	$0	$394,225	$394,225		$156,071
11/1/2033	$991,000	$394,225	$1,385,225	$1,779,450	$535,077
5/1/2034	$0	$369,450	$369,450		$139,298
11/1/2034	$1,040,000	$369,450	$1,409,450	$1,778,900	$518,509
5/1/2035	$0	$343,450	$343,450		$123,328
11/1/2035	$1,092,000	$343,450	$1,435,450	$1,778,900	$502,927
5/1/2036	$0	$316,150	$316,150		$108,105
11/1/2036	$1,147,000	$316,150	$1,463,150	$1,779,300	$488,156
5/1/2037	$0	$287,475	$287,475		$93,619
11/1/2037	$1,204,000	$287,475	$1,491,475	$1,778,950	$473,911
5/1/2038	$0	$257,375	$257,375		$79,825
11/1/2038	$1,264,000	$257,375	$1,521,375	$1,778,750	$460,392
5/1/2039	$0	$225,775	$225,775		$66,690
11/1/2039	$1,327,000	$225,775	$1,552,775	$1,778,550	$447,518
5/1/2040	$0	$192,600	$192,600		$54,174
11/1/2040	$1,394,000	$192,600	$1,586,600	$1,779,200	$435,434
5/1/2041	$0	$157,750	$157,750		$42,259
11/1/2041	$1,464,000	$157,750	$1,621,750	$1,779,500	$423,886
5/1/2042	$0	$121,150	$121,150		$30,909
11/1/2042	$1,538,000	$121,150	$1,659,150	$1,780,300	$413,011
5/1/2043	$0	$82,700	$82,700		$20,094
11/1/2043	$1,614,000	$82,700	$1,696,700	$1,779,400	$402,246
5/1/2044	$0	$42,350	$42,350		$9,799
11/1/2044	$1,694,000	$42,350	$1,736,350	$1,778,700	$391,991
Total	**$27,352,000**	**$26,679,759**	**$54,031,759**	**$54,031,759**	**$27,532,639**

EXHIBIT B

SCHEDULE OF EXCLUDED ASSETS[6]

(a) Other than Purchased Deposits, all cash and cash equivalents, including checks, commercial paper, treasury bills, certificates of deposit and other bank deposits (including any monies, securities, funds, or accounts established under or held by the Bond Trustee pursuant to the Bond Documents);

(b) any shares of capital stock or other equity interest of the Debtors or any securities convertible into, exchangeable or exercisable for shares of capital stock or other equity interest of the Debtors;

(c) all minute books, stock ledgers, corporate seals and stock certificates of Seller;

(d) any Contracts not listed or described in Schedule 2.1(c) of the APA as of the Closing;

(e) the Purchase Price and all rights of the Debtors under the APA;

(f) Benefit Plans;

(g) any and all rights, claims or causes of action of Seller against third parties arising out of events occurring prior to the Petition Date and any and all rights, claims or causes of action of the Debtors against third parties with respect to the Excluded Assets arising out of events occurring after the Petition Date;

(h) all rights under insurance policies for any refunds for unearned premiums and all rights relating to claims for losses related exclusively to any Excluded Asset;

(i) all Avoidance Actions (including the proceeds thereof);

(j) all Accounts Receivable;

(k) any deposits or prepaid charges and expenses paid prior to the Closing Date that are not Purchased Deposits;

(l) all personnel records and other records and files that the Debtors are required by law to retain in its possession;

(m) the name “Saint Francis” and “St. Francis” and any derivatives thereof and any name or phrase which includes the foregoing;

(n) all personal property of religious significance, which shall be removed from all premises from which the Business operates prior to Closing;

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[6] Capitalized terms not otherwise defined in this Exhibit, shall have the meanings ascribed to them in the APA.

(o) any monies, securities, funds, or accounts established under or held by the Bond Trustee pursuant to the Bond Documents;

(p) all operating licenses of the Debtors, except those, if any, identified in Section 2.1(n) of the APA;

(q) each the Debtor's Permits that are not assignable pursuant to applicable law (including Seller's article 28 operating license) and pending applications therefore;

(r) The following Owned Real Property:

1.	Medical Office Building; Therapy Connection (occupational and physical therapy, clinical and administrative)	Condominium Suites 1A and 1B 243 North Road Poughkeepsie, NY 12601
2.	Medical Office Building; The WorkPlace/Employee Assistance (clinical and administrative)	Condominium Suite 1C (a.k.a. 103) 243 North Road Poughkeepsie, NY 12601
3.	Single Family Dwelling with detached two car garage with work room	42/40 West Cedar Street Poughkeepsie, NY 12601
4.	Single Family Dwelling	50 West Cedar Street Poughkeepsie, NY 12601

(s) the Hospital's 85.5% interest in Hudson Valley Center at St. Francis, which is held through a nominee agreement;

(t) all rights with respect to any Proceeding pending as of the Closing Date; and

(u) all Documents relating exclusively to an Excluded Asset.

EXHIBIT C

Liquidation Analysis Assumptions:

The liquidation analysis includes all assets of the Debtors which are property of their estates and could be used to satisfy the obligations of pre- and post-Petition Date Creditors. Intangibles are presumed to have no realization value. For each asset an estimated recovery value is listed, understanding that the certainty of a specific recovery cannot be assured. Underlying the Liquidation Analysis are a number of estimates and assumptions that, although considered to be reasonable, are inherently subject to uncertainties beyond the control of the Debtors. Neither the Debtors nor any other Person make any representation or warranty that the actual result of a liquidation would or would not approximate the assumptions contained herein.

Timing

For purposes of the liquidation analysis, it is assumed the Debtors' conversion to Chapter 7 would occur on or about May 9, 2014.

Cash

As the DIP Agent sweeps primarily all of the Debtors cash receipts on a daily basis to reduce the outstanding amount on the DIP Facility, it is assumed the Debtors would have no cash on hand upon a liquidation.

Accounts Receivable

The Debtors' accounts receivable include amounts due primarily from government agencies, insurance companies and private individuals, net of allowances for uncollectible accounts. For purposes of the liquidation analysis, it is assumed that the accounts receivable would be collected at ninety percent (90%) of their net book value less projected Medicare final cost report settlements. This recovery is shown net of a third party fee (33 1/3% of cash collected) to collect the receivables.

Other Receivables

The Debtors' other receivables include amounts due primarily from government agencies related to the Saint Francis Hospital Preschool Program (the "Preschool Program"). For purposes of the liquidation analysis, it is assumed that the the Preschool Program receivables would be collected at their net book value.

Inventory

The Debtors' inventory consists primarily of pharmaceuticals, medical supplies, and surgical supplies used in the operations of the Debtors and to provide patient care. The recovery is estimated at 25% of their net book value, excluding pharmaceuticals.

Prepaid Expenses

The Debtors' prepaid expenses consist primarily of rent, insurance, and taxes. For purposes of this liquidation analysis, it is assumed that these services or expenses would be used during the liquidation of the Debtors' estates, and therefore, they were given a recovery of zero value.

Property and Plant

The Debtors' property and plant primarily consist of land and buildings located at 241 North Road, Poughkeepsie, NY, 3 medical office condominiums located at 243 North Road, Poughkeepsie, NY, and 3 single family residences located in Poughkeepsie, NY. For purposes of the liquidation analysis, it is assumed that the property and plant would be liquidated at 2/3 of their real estate appraised value. The recovery is shown net of a real estate broker commission (6% of sale proceeds).

Fixtures, Furniture and Equipment

The Debtors' equipment consists mainly of office equipment, transportation equipment and patient furniture. The recovery is estimated at 15% of their net book value.

Software and Capital Leases

Software and capital leases were given zero value.

Other Assets

Other assets primarily consist of intangible assets recorded for accounting principal purposes and pieces of art. The recovery scenario is estimated at 50% of net book value of the pieces of art. Intangible assets were given zero value.

Avoidance Actions

Potential recoveries from avoidance actions have not been determined at this time.

Chapter 7 Trustee Fee and Chapter 7 Professional Fees

Bankruptcy Code § 326 limits trustee fees to 3% of gross liquidation proceeds. The estimate assumes 3% of the value of the gross liquidation proceeds. It is further assumed that the Chapter 7 Trustee would engage its own professionals (attorney and financial advisor) to assist in the liquidation of the Debtors' assets.

Direct Expenses of Hospital Closure

It is assumed the New York Department of Health would require a 90 day closure plan to cease the Debtors' operations as a healthcare provider. Therefore, the direct expenses of hospital closure anticipate the funding of Saint Francis Hospital operations, albeit at a reduced level, to carry out the closure of the institution.

St. Francis Hospital, Poughkeepsie, New York, et al.
Liquidation Analysis

	Projected Net Book Value	Liquidation Value
Cash and cash equivalents	$ -	$ -
Patient accounts receivable, net	18,521,000	10,444,000
Other receivables	1,819,000	1,801,000
Inventory	2,669,000	508,000
Prepaid expenses	4,549,000	-
Property, plant, and equipment, net		
Property and Plant	30,629,000	18,769,000
Equipment	8,200,000	1,230,000
Software	14,438,000	-
Captial Leases	34,942,000	-
Other assets	1,623,000	13,000
Avoidance Actions		TBD
Total Assets	**$ 117,390,000**	**32,765,000**
Less: Costs of Liquidation		
Chapter 7 Trustee Fee		1,197,000
Chapter 7 Professional Fees		1,500,000
Direct Expenses of Hospital Closure		9,000,000
Estimated Gross Proceeds Available for Distribution		*21,068,000*

	Claim Amount	Projected Distribution	Recovery %
Less Secured Claims:			
MidCap Financial LLC (a)	17,600,000	17,600,000	100.0%
Bond Claims	25,770,000	3,191,000	12.4%
M&T Bank	277,000	277,000	100.0%
Archdiocese of New York	1,196,000	-	0.0%
Estimated Proceeds Available for Distribution to Administrative and Unsecured Creditors:		-	
Less Administrative and Priority Unsecured Claims:			
Administrative Claims	6,500,000	-	0.0%
Priority Claims	2,360,145	-	0.0%
Estimated Proceeds Available for Distribution to Unsecured Creditors:		$ -	

(a) Recovery subject to further reduction related to professionals' carve-out.

EXHIBIT D

CREDITORS WHO RECEIVED PAYMENTS TOTALING MORE THAN $6,225.00 WITHIN 90 DAYS OF THE PETITION DATE

1625 BOARDWALK, LLC
191 DELAFIELD, LLC
3M HEALTH INFORMATION SYSTEMS
ADVANCED COPIER TECHNOLOGY INC
AESCULAP INC
AFLAC NEW YORK
AGL WELDING SUPPLY CO INC
ALCON LABORATORIES
ALERE NORTH AMERICA, INC.
ALLERGAN USA INC
ALLIED BARTON
ALLIED UROLOGICAL SERVICES
ALLOY NA BRAND SOLUTIONS, INC.
AMERICAN EXPRESS
AMERICAN RED CROSS
ANESTHESIA ASSOC OF SF PC
ANGIO DYNAMICS
ARNOFF MOVING AND
ARTHREX
ARTHROCARE MEDICAL CORPORATION
AUTOMATIC DATA PROCESSING
BARD ACCESS SYSTEMS
BARD PERIPHERAL TECHNOLOG
BAXTER HEALTHCARE CORP
BEACON CITY SCHOOL DISTRICT
BEHAN COMMUNICATIONS, INC
BIOMERIEUX VITEK INC
BLUE OUTDOOR LLC
BOICE BROTHERS DAIRY, INC.
BOSTON SCIENTIFIC CORP
BOSTON SCIENTIFIC NEUROMODULAT
BSB CONSTRUCTION INC
BUILDING ENVIRONMENTAL SOLUTIONS, INC.
BYRNES MESSAGE BUREAU
C I A SECURITY SYSTEMS
CARDINAL HEALTH INC
CARDINAL HEALTH PHARMACY
CARDINAL HEALTH-MED SURG
CARDINAL HEALTH-MED. SURG
CARDINAL HEALTH-PHARMACY
CARDINAL MED SURG

CAREFUSION 209
CARIOVASCULAR SYSTEMS, INC
CENTRAL HUDSON GAS AND
CHLIC - BLOOMFIELD EASC
CINTAS CORPORATION 616
CITIBANK
COFFEE SYSTEM OF THE HUDSON VALLEY
COLLEGE OF AMERICAN PATHO
COOK MEDICAL INCORPORATED
CORBALLY GARTLAND AND RAPPLEYEA LLP
CR BARD, INC
DAVID S MARSDEN PHD
DAVID S. CHO, MD
DAVID SCHAFF
DELAGE LANDEN FINANCIAL SERVICES
DELL FINANCIAL SERVICES
DELL MARKETING L.P.
DEPUY ORTHOPAEDICS
DEVICOR MEDICAL PRODUCTS INC
DFM DIETARY FOOD MANAGEMENT
DIANE M RETTINO
DR ANTHONY BASCIANO
DR AZZAM M. SALEM
DR ENISMAN FREEDMAN SEPULVEDA
DR EUGENE KOLOSKI
DR GABRIEL AGUILAR
DR J KEITH FESTA
DR JAYESH MODI
DR JOSE E. BAEZ
DR KANG KIEL KIM, PC
DR LELAND DEEVOLI
DR LOREN ROSENTHAL
DR MAHBOOBUR RAHMAN
DR MARK FOSTER
DR MICHAEL CHO
DR MISHA N. KUCHEROV
DR MOHAMMAD AKHTER
DR ROBERT A. FRISENDA
DR ROBERT HOLLAND
DR RONALD DINSMORE
DR SADAF AHSAN
DR SUSHIL CHANDRA
DR SYED HASAN NAQVI
DR THEODORA BUDNIK
DR YOUNG SHIN
DR ZIAD ELIE ABOUEZZI

DR ZUBAIR KHAN
DR. P. CHARLES GARRELL
DUTCHESS CARDIOLOGY, PC
DUTCHESS SURGICAL ASSOC, PC
EFFRON FUEL OIL CO INC
ELEKTA, INC.
EMDEON BUSINESS SERVICES
EMERGE
ETHAN ALLEN STAFFING
FAMILY PARTNERSHIP CENTER
FFF ENTERPRISES INC
FIBERNET COMMUNICATION
FISHER HEALTHCARE
FLEXIBLE BENEFITS SYSTEMS INC.
FROSTED APPLE, LLC
GDF SUEZ ENERGY RESOURCES NA
GEORGE T WHALEN INSURANCE
GLENHAM PROFESSIONAL PLAZA LLC
GRANT THORNTON LLP
GUARDIAN
H.T. LYONS CONTRACTORS & ENGINEE
HEALTHCARE INDUSTRY TRUST - NY
HEALTHCARE MANAGEMENT SOLUTION
HESS CORPORATION
HFAF DEPOSITORY ACCOUNT
HILL ROM
HOSPIRA WORLDWIDE INC
HUDSON VALLEY HEART CENTER
INSTRUMENT DOCTORS
INTERNAL REVENUE SERVICE
INTUITIVE SURGICAL, INC
IRON MOUNTAIN RECORDS MANA
J.A.M. BUILDERS INC
JAMES MCGUINNESS & ASSOCIATES
JANITRONICS FACILITY SERVICES
JOHN HERBERT CO
JOHNSON & JOHNSON HEALTH CARE SYSTEMS INC
KCI USA INC
KEY INTERIOR ACOUSTICAL, LLC
KFORCE HEALTHCARE, INC.
KIMBERLY CLARK/BALLARD MEDICAL
LCS FACILITY GROUP INC
LINCOLN LIFE & ANNUITY COMPANY
LINDE GAS NORTH AMERICA LLC
M MODAL
MAAR PRINTING SERVICE

MANAGED CARE PROFESSIONALS
MANAGED CARE REVENUE CONSULTING
MANHATTAN TELECO
MASTER RISK INC
MC SERVICECO LLC
MEDICAL DIAGNOSTIC IMAGING LLC
MEDICAL INFORMATION TECHNOLOGY
MEDICAL LIABILITY MUTUAL INSURANANCE
MEDICAL SOLUTIONS, LLC
MEDICAL STAFFING NETWORK
MEDIFAX-EDI, LLC
MEDIVATORS, INC
MEDLINE INDUSTRIES, INC.
MEDRAD INC
MEDTRONIC INC
MEDTRONIC SD USA, INC.
MEDTRONIC SOFAMOR DANEK US
MEDTRONIC USA
MENTOR
METROPOLITAN TELECOMMUNICATION
MID HUDSON MEDICAL GROUP
MID VALLEY ONCOLOGY/HEMATOLOGY
MIDASPLUS HEALTHCARE SOLUTIONS
MOHAWK VALLEY PLAN
MOUNT KISCO MEDICAL GROUP
MTA PAYROLL TAXES
NEW BEGINNINGS SURGERY, P.C.
NEW CENTURY
NEW TECH
NEW YORK BLOOD CENTER
NEW YORK SPINE SURGERY AND
NEW YORK STATE INSURANCE FUND
NEW YORK STATE TAXES
NORTH ROAD SURGERY, P.C.
NUVASIVE, INC.
NYS CHILD SUPPORT
NYS DEPT OF HEALTH
NYS INCOME TAX
NYS UNEMPLOYMENT INSURANCE
O & D ELECTRICAL MAINTENANCE
ORANGE PATHOLOGY ASSOCIATE, PC
ORGANOGENESIS INC.
ORTHOFIX
ORTHOPEDIC ASSOCIATES OF DUTCHES
OTIS ELEVATOR CO
OWENS AND MINOR

PAETEC COMMUNICATION INC
PANTHEON CAPITAL LLC
PAYROLL-INDIVIDUAL EMPLOYEES
PHARMALOGIC SYRACUSE LLC
PHILIPS MEDICAL CAPITAL
PHILIPS MEDICAL SYSTEMS
PHONAK, LLC
PHYSIOLOGIC ASSESSMENT SER
PMA INSURANCE GROUP
PRECYSE SOLUTIONS LLC
PREMIER MEDICAL GROUP
PROCURA
PUBLIC GOODS POOL
PUBLIC GOODS POOL (SW)
QUALITY BILLING SERVICE, INC
QUEST DIAGNOSTICS
RADIATION MEDICINE ASSOCIATION
RADIOLOGY ASSOCIATES
RENOVO SOLUTIONS, LLC
RESTORIXHEALTH
RJS ASSOCIATES AND CONSULTANTS LLC
ROBISON AND SMITH INC
ROYAL CARTING SERVICE CO
SECTRA NORTH AMERICA, INC.
SENTRY DATA SYSTEMS, INC.
SHERIFF DUTCHESS COUNTY
SHIRE REGENERATIVE MEDICINE
SIEMENS MEDICAL SOLUTIONS, USA
SISTERS OF ST FRANCIS
SPACKENKILL UNION FREE SCHOOL DISTRICT
ST FRANCIS HOME CARE
STAFF CARE INC
STERICYCLE, INC.
STERIS CORPORATION
STRAUSS PAPER COMPANY
STRYKER CRANIOMAXILLOFACIAL
STRYKER ENDOSCOPY
STRYKER ORTHOPEDICS
STRYKER SPINE
SUN LIFE INSURANCE & ANNUITY
SURGIQUEST, INC
SYSMEX AMERICA, INC.
TACONIC REALTY ASSOCIATE
TELEHEALTH
THE CENTER FOR WOUND HEALING
THE CHILDRENS MEDICAL

THE GRANDVIEW
THOMAS GLEASON INC
TRANSFIRST LLC
TRITECH HEALTHCARE MANAGEMENT
TRUSTAFF TRAVEL NURSES, LLC
T-SYSTEM, INC.
TTP PHYSICIAN SERVICES, PLLC
TWINSTATE
U S FOODSERVICE INC
UNITED FIN CAS CO
UNITEX
US POSTAL SERVICE
VERIZON WIRELESS
VIRTUAL GRAFFITI, INC.
VITAL SIGNS INC
W.B. MASON
WEX INC

All persons and entities listed by the Debtors in response to Question 3(b) in their respective Statements of Financial Affairs filed by the Debtors in the Chapter 11 Cases.

INSIDERS WHO RECEIVED PAYMENTS TOTALING MORE THAN $6,225.00 WITHIN 1 YEAR OF THE PETITION DATE

BARLOW, JASON B
CASH-HOLLAND, KRISTIN M
FESTA, JAMES K
NARU, BARBARA B
NIZZA, ARTHUR A
NOCKET, PATRICIA
PRISCO, GEORGE M
RINAUDO, HELEN
SAVAGE, ROBERT L

All persons and entities listed by the Debtors in response to Question 3(c) in their respective Statements of Financial Affairs filed by the Debtors in the Chapter 11 Cases.

NIXON PEABODY LLP
Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
437 Madison Avenue
New York, NY 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111

Counsel to the Debtors
and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 11**
ST. FRANCIS' HOSPITAL, POUGHKEEPSIE, NEW YORK, *et al.*,[1]	**Case No. 13-37725 (CGM)**
Debtors.	**(Jointly Administered)**

FIRST AMENDED DISCLOSURE STATEMENT FOR DEBTORS' FIRST AMENDED PLAN UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED ~~FEBRUARY 24~~ MARCH 19, 2014

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE.

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtors' federal tax identification number include: St. Francis' Hospital, Poughkeepsie, New York (8503), Saint Francis Home Care Services Corporation (3842), SFH Ventures, Inc. (0024), Saint Francis Health Care Foundation, Inc. (5066), and Saint Francis Hospital Preschool Program (1079).

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IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement provides information regarding the Debtors' Plan Under Chapter 11 of the Bankruptcy Code, dated February 24, 2014 (as may be amended and supplemented from time to time according to its terms, the "Plan"). A copy of the Plan is attached as **Exhibit A**.

References to the "Plan" are to the Plan attached as **Exhibit A** hereto. All capitalized terms used but not otherwise defined herein, including in any exhibits attached hereto, shall have the meaning ascribed to them in the Plan.

Unless the context requires otherwise, reference to the "Company", "we", "our", and "us" are to Saint Francis and its Debtor affiliates.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein, and the delivery of this Disclosure Statement shall not create an implication that there has been no change in information stated since the date hereof.

The Debtors believe that the Plan will enable them to successfully complete the liquidation of Assets and distribution of proceeds from the sale of substantially all of their operating Assets as described more fully below. The Debtors believe that acceptance of the Plan is in the best interests of the Debtors, their Chapter 11 Estates, and their Creditors.

THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

ALL CREDITORS AND INTEREST HOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, EXHIBITS ANNEXED TO THE PLAN, THE PLAN SUPPLEMENTS, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. THE DEBTORS ARE THE PROPONENTS OF THE PLAN. THE PLAN PROVIDES FOR THE PROPOSED METHOD OF DISTRIBUTION OF PROCEEDS FROM THE SALE OF THE PURCHASED ASSETS, THE LIQUIDATION OF THE REMAINING ASSETS OF THE DEBTORS AND THE DISTRIBUTIONS CREDITORS OF THE DEBTORS WOULD RECEIVE IN THE DEBTORS' CHAPTER 11 CASES.

NO PERSON MAY GIVE ANY INFORMATION ON BEHALF OF THE DEBTORS REGARDING THE PLAN OF LIQUIDATION OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN, OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS DESIGNED TO PROVIDE ADEQUATE INFORMATION TO ENABLE HOLDERS OF CLAIMS AGAINST THE DEBTORS TO MAKE AN INFORMED JUDGMENT ON WHETHER TO ACCEPT OR REJECT THE PLAN. ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN (WHICH IS ANNEXED HERETO AS EXHIBIT A), OTHER EXHIBITS ANNEXED HERETO AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE BANKRUPTCY COURT PRIOR TO THE END OF THE SOLICITATION PERIOD FOR THE PLAN. NO MATERIALS OTHER THAN THE ACCOMPANYING MATERIALS ATTACHED HERETO OR REFERENCED HEREIN HAVE BEEN APPROVED BY THE BANKRUPTCY COURT OR THE DEBTORS FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN. SUBSEQUENT TO THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT: (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN REMAIN MATERIALLY ACCURATE, AND (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THE DEBTORS HAVE PROPOSED THE PLAN AND ~~THUS~~THE COMMITTEE SUPPORTS THE PLAN AND THUS THE DEBTORS URGE ALL HOLDERS OF IMPAIRED CLAIMS IN CLASS 2 AND CLASS 5 TO VOTE TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS SO THAT THE BALLOTS ARE RECEIVED BY 4:00 P.M. (EASTERN TIME) ON APRIL 23, 2014, AT:

BMC Group, Inc.
Attn: St. Francis' Hospital Ballot Processing
PO Box 3020
Chanhassen, MN 55317-3020

IF SENT BY MAIL,

OR, IF DELIVERED BY HAND OR OVERNIGHT COURIER, AT

BMC Group, Inc.
Attn: St. Francis' Hospital Ballot Processing
18675 Lake Drive East
Chanhassen, MN 55317

ADDITIONAL INFORMATION REGARDING VOTING PROCEDURES, INCLUDING REFERENCE TO SPECIFIC VOTING PROCEDURES THAT MAY APPLY TO CLASS 2 CLAIMS, ARE SET FORTH HEREIN.

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, AND SHOULD BE AWARE THAT ACTUAL DISTRIBUTIONS MAY VARY FROM THE ESTIMATES CONTAINED HEREIN.

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

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), OR ANY SIMILAR PUBLIC GOVERNMENTAL OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT, THE INFORMATION CONTAINED HEREIN, OR THE MERITS OF THE PLAN.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN SUMMARY CONTAINED HEREIN AND THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS BASED PRIMARILY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL

TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS AND REORGANIZED DEBTORS. IN PARTICULAR, STATEMENTS USING WORDS SUCH AS "BELIEVE," "MAY," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER ARTICLE XII. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. CONSEQUENTLY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN SHOULD NOT BE REGARDED AS REPRESENTATIONS BY ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ADVISORS, OR ANY OTHER PERSON THAT THE PROJECTED FINANCIAL CONDITIONS OR RESULTS OF THE DISPOSITION OF ASSETS CAN OR WILL BE ACHIEVED. EXCEPT AS OTHERWISE REQUIRED BY LAW, NEITHER THE DEBTORS NOR REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE FOLLOWING APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT.

EXCEPT AS OTHERWISE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT NECESSARILY BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY OR ENTITY. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS. THIS DISCLOSURE SHALL BE CONSIDERED TO BE A SETTLEMENT DOCUMENT PURSUANT TO FEDERAL RULE OF EVIDENCE 408.

ALL CAPITALIZED TERMS AND PHRASES USED IN THIS DISCLOSURE STATEMENT AND NOT OTHERWISE DEFINED HEREIN WILL HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN OR THE BANKRUPTCY CODE.

I. INTRODUCTION

~~Saint~~ St .Francis' Hospital, Poughkeepsie, New York ("Saint Francis") and its affiliated Debtors and Debtors-in possession (collectively, the "Debtors"[2]) in the jointly-administered Chapter 11 cases numbered 13-37725 (CGM) (the "Chapter 11 Cases") pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (as amended, the "Bankruptcy Code"), filed the Plan. The Debtors are distributing this disclosure statement (the "Disclosure Statement"), pursuant to section 1125 of the Bankruptcy Code, to provide the Debtors' Creditors with adequate information so that they can make an informed judgment on whether to vote to accept or reject the Plan. Please read this Disclosure Statement and the Plan carefully and follow the instructions set forth below to vote on the Plan.

A. Explanation of Chapter 11.

Chapter 11 is the principal business reorganization Chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize or sell its business for the benefit of itself, its creditors and equity holders. In addition to permitting rehabilitation of a debtor (or permitting the debtor to continue operating in anticipation of an asset sale), another goal of Chapter 11 is to promote equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession." Upon filing a petition for Chapter 11 relief and during the pendency of a case, the Bankruptcy Code imposes an automatic stay against creditors' attempts to collect or enforce, through litigation or otherwise, claims against the debtor. The automatic stay provisions of section 362 of the Bankruptcy Code, unless modified by court order, will generally prohibit or restrict attempts by creditors to collect or enforce any claims that arose prior to the commencement of the Chapter 11 case against the debtor.

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors in a Chapter 11 case to represent the interests of creditors in the case. On December 23, 2013, the United States Trustee appointed the Official Committee of Unsecured Creditors in these proceedings (the "Committee").

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[2] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number include: St. Francis' Hospital, Poughkeepsie, New York (8503), Saint Francis Home Care Services Corporation (3842), SFH Ventures, Inc. (0024), Saint Francis Health Care Foundation, Inc. (5066), and Saint Francis Hospital Preschool Program (1079).

The consummation of a plan is the principal objective of a Chapter 11 case. A plan sets forth, among other things, the treatment of, and means for satisfying, claims against and equity interests in the debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. ~~Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.~~

A Chapter 11 plan is the vehicle for satisfying or otherwise addressing the claims against and interests in a debtor. After a plan has been filed, the holders of claims against or equity interests in a debtor that are impaired and entitled to receive distributions under the plan are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement to satisfy the requirements of section 1125 of the Bankruptcy Code.

B. Preliminary Statement and Summary of Recoveries.

On December 17, 2013 (the "Petition Date"), the Debtors each filed their respective voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors continue in the management and possession of their property as Debtors in Possession; no trustee or examiner has been appointed for the Debtors.

The Plan is predicated on the Debtors' sale of substantially all of their Assets other than Excluded Assets as described more fully below. Pursuant to this process, the Plan will be implemented through the Asset Sale, through which the Debtors will sell the Purchased Assets, and the Debtors will make distributions from proceeds, Excluded Assets and other sources as set forth in the Plan.

Under the sale implemented through the Plan as well as the resolution of certain Claims, the Plan contemplates the payment in full in Cash of all Administrative Claims, Fee Claims, U.S. Trustee Fees, and priority Claims against the Debtors (subject to permitted installment payments for certain Priority Tax Claims), unless the holders of such Claims agree otherwise to less favorable treatment.

The primary objectives of the Plan are: (i) to provide a mechanism for distribution of the Asset Sale proceeds; (ii) completing the liquidation of the Debtors' remaining Excluded Assets after such sale, including, for example, Receivables and Causes of Action held by, or in favor of, the Debtors; (iii) reconciling and fixing the Claims asserted against the Debtors; and (iv) distributing the net liquidation proceeds in conformity with the distribution scheme provided by the Bankruptcy Code. As described below, a substantial portion of the Debtors' Assets are to be sold to Westchester Country Health Care Corporation (or its designee) ("WMC") pursuant to the Order of the Bankruptcy Court entered on February 24, 2014 (the "Sale Order"). Certain

Asset of the Debtors will be excluded from the Asset Sale, including, but not limited to the Receivables and the other Excluded Assets set forth on **Exhibit B**. As further described below, based upon a settlement reached with the Bond Trustee, certain funds otherwise subject to the Bond Trustee's liens and Claims will be made available to Creditors to provide Plan funding in the Chapter 11 Cases.

Subsequent to the sale, the Debtors shall cease operations as a healthcare provider (such services thereafter to be provided by WMC) and the Debtors shall sell or otherwise dispose of their remaining Assets and wind down their affairs. Because the Plan is a plan of liquidation, pursuant to section 1141(d)(3) of the Bankruptcy Code, the Debtors will not receive a discharge, and will not engage in business after a final decree has been entered and their Chapter 11 Cases are closed. All Interests in the Debtors, if any, will be canceled and, because the Allowed Claims of general unsecured Creditors will not be paid in full due to insufficient funds, no distributions will be made under the Plan on account of any such Interests in the Debtors.

The table below summarizes the treatment for Creditors and holders of Interests under the Plan. For a complete explanation, please refer to the discussion in **Article IV, Section A** of this Disclosure Statement, entitled "Summary of Classification and Treatment of Claims Under the Plan" and to the Plan itself.

Class	Description	Treatment if Claim Allowed	Estimated Recovery if Claim Allowed
Unclassified	Administrative Claims		100%
Unclassified	Priority Tax Claims		100%
Class 1	Secured Tax Claims	Unimpaired	100%
Class 2	Bond ~~Claims~~Claim	Impaired	Approximately 93% to 95%
Class 3	~~Other~~ Secured Claims	Unimpaired	100%
Class 4	Unsecured Priority Claims	Unimpaired	100%
Class 5	General Unsecured Claims	Impaired	12% to 40%[3]
Class 6	Subordinated Claims	Impaired	0%
Class 7	Interests in Debtors	Impaired	0%

[3] These estimates are based upon the Debtors' records and upon review of claims filed as of the date of this Disclosure Statement. All claims have not yet been reconciled. Accordingly, the final distributions may vary from these estimates.

The Debtors have approved the Plan and the transactions contemplated thereby and recommend that all Creditors whose votes are being solicited submit ballots to accept the Plan.

The Plan provides for substantive consolidation of the Debtors, solely for purposes of describing their treatment under the Plan, confirmation of the Plan, and making distributions under the Plan. The decision to consolidate the Debtors was made after considering the various factors weighing both in favor of and against substantive consolidation. The Debtors concluded that they would likely face complex, time-consuming, and uncertain litigation if the issue of substantive consolidation was not resolved through the Plan, and that the cost of such litigation could pose a material risk to the Debtors' plan efforts and all Creditor recoveries.

Moreover, the Debtors determined that the consolidation proposed in the Plan is consistent with applicable law because it does not harm Creditors. The majority of the Assets of the Debtors' Estates reside at ~~St~~Saint Francis, with the other Debtor subsidiaries having little to no Assets available for distribution to Creditors. In addition, the majority of Claims asserted against the Debtors are asserted against Saint Francis, with generally *de minimis* Claims asserted against the other Debtors. In light of the location of Claims and Assets, the consolidation proposed in the Plan confers the benefits of convenience and expediency without compromising Creditor recoveries at any Debtor. Under the Plan, each holder of an Allowed Claim will receive, on account of its Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that it would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Accordingly, based upon the Debtors' analysis, no Creditors are harmed by the proposed consolidation of the Debtors for distribution purposes under the Plan.

To show that substantive consolidation is warranted in the Bankruptcy Court, a party must generally demonstrate one of the following: (i) that creditors dealt with the entities as a single economic unit and did not rely on their separate identities in extending credit; or (ii) that the operational and financial affairs of the entities are so entangled that the accurate identification and allocation of assets and liabilities would be impossible or prohibitively expensive. See Union Sav. Bank v. Augie/Restivo Banking Co. (In re Augie/Restivo Baking Co.), 860 F.2d 515, 518 (2d Cir. 1988). The Debtors believe that substantive consolidation is warranted and appropriate here. First, the majority of the Debtors creditors, as a matter of course, provided goods and services to, and were paid by, Saint Francis directly, notwithstanding which Debtor entity used such goods and services. Moreover, most of the Debtors' employees and contract obligations belonged to Saint Francis directly and the Debtors were run as a consolidated organization. As demonstrated by the Debtors' schedules and statements the majority of the Debtors' Assets and liabilities were centrally held, maintained and managed by Saint Francis on account of its affiliated Debtors. Moreover, the Debtors' financial reporting has traditionally been done on a consolidated basis as all the assets and liabilities of the Debtors were viewed by the Debtors' management and its creditors as a single operating entity. Finally, as a result of the failed implementation of the software systems, it would be cost prohibitive, if not impossible, to accurately identify which Debtor used or should have paid for goods and services it received.

C. Who is Entitled to Vote on the Plan.

Only Impaired Classes receiving a distribution under the Plan are entitled to vote on the Plan. As such, Claims in Classes 2 and 5 are Impaired, and the holders of Claims in those Classes are entitled to vote on the Plan. Holders of Subordinated Claims (Class 6 Claims) and Class 7 (Interest in Debtors) are not entitled to vote because no distributions will be paid under the Plan on account of such Claims and Interests and therefore those holders are deemed to have rejected the Plan.

D. Definitions; Certain Exhibits.

1. Definitions. Unless otherwise defined herein, capitalized terms used in this Disclosure Statement will be defined as set forth in the Plan or as defined in the Bankruptcy Code.

2. Certain Exhibits. A copy of a liquidation analysis is attached hereto as **Exhibit C**. A non-exhaustive list setting forth persons or entities that received payments during the 90 days prior to the Petition Date that the Plan Administrator may seek to recover under section 547 of the Bankruptcy Code or otherwise is attached hereto as **Exhibit D**. Exhibit D also includes a non-exhaustive list setting forth insiders of the Debtors who received payments during the one year prior to the Petition Date that the Plan Administrator may seek to recover under section 547 of the Bankruptcy Code or otherwise. The fact that a party is listed on **Exhibit D** as having received a payment in the 90 days or one year prior to the Petition Date does not mean that the Plan Administrator will seek to recover payments made to such party or that any determination has been made that such payments were preferential. In the event that the Plan Administrator determines to pursue recovery of any payment made in the 90 days or one year prior to the Petition Date, any party that received such payment may have rights and defenses which would prevent recovery of such payments by the Plan Administrator and no such rights or defenses are impacted by the Plan except as provided for in Section 5.10 of the Plan. In reviewing this Disclosure Statement and the Plan, and in determining whether to vote for or against the Plan, Creditors (including parties who received payments or transfers from the Debtors within 90 days prior to the Petition Date and insiders who received payments or transfers from the Debtors within one year before the Petition Date) and other parties should consider that Causes of Action of the Debtors may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtors, and that the Plan authorizes the Plan Administrator to prosecute same. Pursuant to the Initial Plan Supplement, a compilation of documents and forms of documents, schedules, and exhibits to the Plan will be filed not less than seven (7) days prior to the date on which a hearing on this Disclosure Statement is commenced, and such documents shall among other things, identify the proposed Plan Administrator and include the form of the ~~Services Agreement and the forms of the~~ principal documents evidencing and securing the New Hospital Bonds~~ and Exit Facility~~, and related documents as necessary to implement the terms of the Plan. Further not later than seven (7) days before the Confirmation Hearing, the forms of documents relating to the Exit Facility and the Services Agreement and related documents necessary to implement the Plan will be filed with the Bankruptcy Court.

E. Notice to Creditors.

1. Purpose of Disclosure Statement. This Disclosure Statement is being transmitted to, among others, holders of Impaired Claims against the Debtors that are entitled to vote to accept or reject the Plan (Class 2 – Bond Claims and Class 5 – General Unsecured Claims). Holders of unimpaired Claims shall receive a Confirmation Hearing Notice and a Notice of Non-Voting Status, substantially in the form annexed to the Disclosure Statement Order as Exhibit D (the "Notice of Unimpaired Non-Voting Status"), which identifies each such class as unimpaired and provides information to such holders of unimpaired Claims as to how a copy of the Plan and Disclosure Statement may be obtained. Holders of Claims and Interests in the Impaired Non-Voting Classes shall receive a Confirmation Hearing Notice and a Notice of Non-Voting Status (the "Notice of Impaired Non-Voting Status"), substantially in the form annexed to the Disclosure Statement Order as Exhibit E, which informs the holder of any claims or interests in such Impaired Non-Voting Classes that it will receive no recovery under the Plan, is not entitled to vote, and therefore, is deemed to have rejected the Plan. The Notice of Impaired Non-Voting Status also sets forth the manner in which the holder of claims or interests in such classes may obtain a copy of the Plan and Disclosure Statement.

The purpose of this Disclosure Statement is to provide Creditors with information that (i) summarizes the Plan and alternatives to the Plan, (ii) advises Creditors of their rights under the Plan, (iii) assists Creditors entitled to vote in making informed decisions as to whether they should vote to accept or reject the Plan, and (iv) assists the Bankruptcy Court in determining whether the Plan complies with the provisions of Chapter 11 of the Bankruptcy Code and should be confirmed. This Disclosure Statement contains important information regarding (A) the Debtors' history, (B) developments in these Chapter 11 Cases, (C) the Plan, including a summary and analysis thereof, and (D) considerations pertinent to acceptance or rejection of the Plan. This Disclosure Statement is designed to provide holders of Impaired Claims that are entitled to vote to accept or reject the Plan with adequate information to enable such holders to make a reasonably informed decision with respect to the Plan prior to exercising the right to vote to accept or reject the Plan. All Creditors are encouraged to read this Disclosure Statement and its exhibits carefully and in their entirety before deciding to vote either to accept or reject the Plan.

2. Information Contained in this Disclosure Statement. This Disclosure Statement is the only document authorized by the Bankruptcy Court to be used in connection with the solicitation of votes accepting the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement, and no Person has been authorized by the Bankruptcy Court or the Debtors to use or disclose any information concerning the Debtors other than the information contained herein. Other than as explicitly set forth in this Disclosure Statement, you should not rely upon any information relating to the Debtors, their Estates, the value of their Assets, the nature or amounts of their liabilities, their Creditors' Claims, or the amount or value of any distributions made under the Plan. All financial information and historical information contained in this Disclosure Statement has been provided by the Debtors. This Disclosure Statement is accurate to the best of the Debtors' knowledge, information and belief. The Debtors have endeavored to make this Disclosure Statement as clear and comprehensive as possible in order to furnish Creditors with adequate information to make an informed decision regarding acceptance or rejection of the Plan.

PLEASE READ THIS DISCLOSURE STATEMENT, INCLUDING THE PLAN, IN ITS ENTIRETY PRIOR TO VOTING ON THE PLAN. A COPY OF THE PLAN IS ANNEXED HERETO AS EXHIBIT A. THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, FOR THE CONVENIENCE OF CREDITORS, BUT THE PLAN ITSELF QUALIFIES ALL SUCH SUMMARIES. ACCORDINGLY, IF THERE EXISTS ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN WILL CONTROL.

F. Disclosure Statement Enclosures.

Accompanying this Disclosure Statement are the following enclosures:

1. Disclosure Statement Approval Order. A copy of the Order of the Bankruptcy Court dated **[_____ __,** 2014**]**, approving this Disclosure Statement and, among other things, establishing procedures for voting on the Plan, and scheduling the hearing to consider, and the deadline for objecting to, confirmation of the Plan (the "Disclosure Statement Approval Order").

2. Notice of Confirmation Hearing. A copy of the notice of the deadline for submitting ballots to accept or reject the Plan and, among other things, the date, time and place of the hearing to confirm the Plan, and the deadline for filing objections to confirmation of the Plan (the "Notice of Confirmation Hearing").

3. Ballots. One or more ballots (and return envelopes) for voting to accept or reject the Plan, unless you are not entitled to vote. See **Article XI** below for an explanation of which parties-in-interest are entitled to vote.

G. Summary of Voting Procedures.

1. Vote Solicitation and Deadline. To be counted, your vote must be received, pursuant to the following instructions, by the Debtors' voting agent at the following address, before 4:00 p.m. (Eastern Time) **April 23, 2014** (the "Voting Deadline"):

If mailed	*If sent by hand delivery or overnight courier*
BMC Group, Inc. **Attn: St. Francis' Hospital Ballot Processing** **PO Box 3020** **Chanhassen, MN 55317-3020**	**BMC Group, Inc.** **Attn: St. Francis' Hospital Ballot Processing** **18675 Lake Drive East** **Chanhassen, MN 55317**

PLEASE NOTE THAT HOLDERS OF CLASS 2 BOND CLAIMS SHOULD REVIEW THE BALLOT FOR VOTING INSTRUCTIONS SPECIFIC TO SUCH CLAIMS.

IF YOU HOLD A CLAIM ENTITLED TO VOTE:

Please complete the information requested on the applicable Ballot; sign, date and indicate your vote on the Ballot; and return the completed Ballot in the enclosed pre-addressed, postage-paid envelope so that it is actually received by the voting agent before the Voting Deadline. As noted above, holders of Class 2 Bond Claims will receive specific voting instructions that may provide alternative procedures.

DO NOT RETURN YOUR DEBT INSTRUMENTS, NOTES, CERTIFICATES OR ANY EQUITY SECURITIES THAT YOU MAY HAVE WITH YOUR BALLOT(S).

IF YOU ARE A HOLDER OF A CLAIM ENTITLED TO VOTE AND YOU HAVE RETURNED YOUR BALLOT, BUT FAILED TO INDICATE ON YOUR BALLOT WHETHER YOU ACCEPT OR REJECT THE PLAN, SUCH BALLOT WILL BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

2. Acceptance of the Plan. Under the Bankruptcy Code, an impaired class of claims entitled to vote has accepted a plan, if, of those voting, the holders of two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of claims accept.

3. Hearing on Confirmation of Plan. The Bankruptcy Court has scheduled a hearing to consider confirmation (*i.e.*, approval) of the Plan on **April 30, 2014 at 11:00 a.m.** (Eastern Time) (the "Confirmation Hearing"), in the United States Bankruptcy Court, Southern District of New York, Poughkeepsie, New York. The Confirmation Hearing may be adjourned from time to time without further notice other than by announcement in the Bankruptcy Court on the scheduled hearing date or upon the Debtors filing a notice of adjournment.

II. GENERAL INFORMATION ABOUT THE DEBTORS

A. The History of the Debtors.

On February 17, 1914 Saint Francis Hospital accepted its first official patient. With only five dollars and the assistance of Catholic Women's organizations that made the linens, they began a 100 year history of commitment to the health needs of the Hudson Valley.

Throughout its history, Saint Francis has strived to serve its community. For example, in 1918 an influenza epidemic brought hundreds of patients to Saint Francis. As many as 300 people were treated without charge that year.

This mission lead to Saint Francis' rapid success and expansion, making it a pillar in the community. In 1921, Saint Francis expanded its facility by adding three large operating rooms, one of which was dedicated to eye, ear, nose, and throat surgery; private and semiprivate rooms; a 12-bed men's ward; and a 12-bed women's ward. In 1924, the new Roosevelt main building was opened, replacing the original mansion and providing 60 beds for patients. Twenty-seven years later, in 1951, the Oakleigh T. Thorne and Joseph T. Towers Wings were dedicated, more than doubling the size of the hospital. In 1959, the Spellman Pavilion was added. Expansion continued at the hospital with the 1977 dedication of the Neumann Wing, followed by the 1982 construction of the Cooke Pavilion.

In 1985, Saint Francis acquired the former Highland Hospital in Beacon which served as The Turning Point, a 100-bed inpatient and outpatient alcohol and chemical dependency treatment center (which is now located in Poughkeepsie at 241 North Road). The Beacon campus currently serves as a home to the Panichi Family Center for Communication and Learning that houses the Debtors' Special Needs Preschool Program.

Home Care Services was added in 1987 and the following year, the hospital established a Day Care Program in the Convent that eventually expanded to a second, larger site in Spackenkill, New York.

In 1990, what was then a state-of-the-art 3-dimensional, high-speed helical CAT Scan system was acquired, and the hospital became the first in the area to own and operate its own MRI unit. In 1991, the hospital opened the Sleep Disorders Lab, which in 2003 received a 5 year accreditation and designation as a Sleep Center by the American Academy of Sleep Medicine.

In 1992, Saint Francis Hospital adopted a "CREST of Values" to serve as the guiding principles for each individual who shares in our mission. Each member of the Saint Francis team works individually and collaboratively to make our values of Creativity (which was subsequently changed to Compassionate Care in order to reflect the hospital's Catholic roots), Respect, Excellence, Service and Teamwork present in dealings with each other and those we are privileged to serve.

To recognize its work as a leader in Orthopedics, the Hospital established the Orthopedic Center of Excellence in 1993, and today offers the only fully-dedicated Joint Replacement Center in the region. Also in 1993, Saint Francis Hospital was designated as the Area Trauma Center by the New York State Department of Health. It was recognized as the busiest Level II Trauma Center in New York State in 2004.

In 1995, a $5 million capital drive was undertaken to expand trauma and emergency facilities - creating the George T. Whalen Family Trauma Center - and to upgrade patient monitoring systems in the Emergency Room and Operating Room. Additionally, the Endoscopy Suite and Same Day Surgery Center were added, the latter of which would be named for legendary philanthropist James J. McCann.

Responding to requests from physicians who wanted to locate their offices close to the hospital, the Medical Office Building at 243 North Road opened in 1998. Two years later The Atrium at Saint Francis Hospital – a 150,000 sq. ft. facility – opened featuring a new state-of-the-art ambulatory surgery center, diagnostic imaging center, community conference center, cafeteria, and private physician offices.

The Saint Francis Hospital Cancer Center opened in 2002, followed by the dedication of the Fr. Brinn Center for Psychiatric Care in the Emergency Care Center in 2003.

Now, as in 1913 when five Sister foundresses responded to Community needs, the Sisters of Saint Francis continue to be present and look forward with the entire Saint Francis team to upholding this noble legacy as the Debtors approach one century of service.

The Debtors serve more than 125,000 patients annually (excluding added homecare patients) and employ approximately 2,000 full and part-time employees. In 2012, the Debtors serviced approximately 8,000 inpatient discharges, 32,000 emergency room visits, 38,000 home care visits, and 150,000 outpatient visits. The hospital has 333 beds and the capability to serve patients with various physical and mental health issues. In 2012, the Debtors had gross revenues of almost $150 million and an operating loss of approximately $7.7 million.

B. The Businesses of the Debtors.

From their state-of-the-art Center for Robotic Surgery to the healing hands of our physical and occupational therapists at the Therapy Connection, Saint Francis features the latest healing techniques and technology delivered by the most caring and compassionate staff in the world.

The Debtors provide a wide array of medical service to their community, including:

Emergency Treatment: The Debtors are the home to the area's only Level II Trauma center that provides lifesaving care to severely injured patients. Over 9,000 trauma victims are cared for annually, making Saint Francis' Level II Trauma center the busiest Level II Trauma Center in New York State.

Mental Health and Addiction Services: The Debtors are the region's recognized leader in providing mental health services. In addition, the Turning Point at Saint Francis is a comprehensive not-for-profit chemical dependency treatment program that provides inpatient medically-managed detoxification from alcohol and all other types of substances, inpatient and outpatient rehabilitation, and a variety of specialized intensive outpatient programs, outpatient counseling, and support groups.

Robotic Surgery: The Center for Robotic Surgery offers patients an array of minimally-invasive surgical approaches through the use of the da Vinci surgical system. Robotic surgery is available for patients undergoing a wide variety of thoracic, urological, gynecological and oncological procedures.

Physical and Occupational Therapy: The Debtors' Physical and Occupational Therapy program treats a whole spectrum of diagnosis, including: neck pain, back pain, knee pain, foot and ankle pain, hand and wrist pain, shoulder pain, pre-surgical and post-surgical therapy needs, auto accidents and sports injuries, fractures, dizziness/light-headedness, balance problems, weakness, cancer related problems and stroke.

Cancer Treatment: The Herb & Sue Ann Redl Center for Cancer Care offers advanced treatments for all major cancers including

breast, lung, colon, and other digestive tract, prostate, bladder, lymphoma and melanoma.

Home Care: The Debtors provide home health services, including nursing care, physical therapy, occupational therapy and speech therapy to patients in the comfort of their homes.

Saint Francis' dedication to excellence has resulted in recognitions it is extremely proud of including:

- The Center for Diabetes Management received a 4-year extension of its accreditation by the American Diabetes Association.
- The Inpatient Rehabilitation program was awarded a 3-year accreditation by the Commission on Accreditation of Rehabilitation Facilities.
- Professional Radiology Oncology Services (PROS) at Saint Francis Hospital was awarded full accreditation status by the American College of Radiation Oncology.
- The Hudson Valley Renegades honored some of those who helped save the life of an 11-year-old boy who collapsed while playing a Little League Baseball game. Among those introduced on the field prior to the start of the Aug. 4 game were Drs. Zubair Zoha and Steven Ritter, Emergency Department Nurse Manager Bridget Romani and Nurses Stacy Fell and Sarah Ogasian.
- The Cancer Center was awarded a 3-year accreditation by the National Accreditation Program for Breast Centers administered by the American College of Surgeons.
- Saint Francis Home Care Service, Inc. was named among the nation's top 25 percent "Elite" home care agencies by Outcome Concept Systems and Decision Health.
- The hospital's annual Caregiver Conference was named one of 33 finalists for a national charitable organization's award.
- The hospital's community relations department was honored with two national Aster Awards for a radio commercial and TV commercial, and with a Silver Telly Award for "The Best is Yet to Come," a 4-minute information video about the hospital. The Telly Awards, presented in Silver and Bronze categories, recognize outstanding local, regional and cable TV commercials and programs.
- Saint Francis Hospital and Health Centers was a winner of a $200,000 New York State Department of Health Patient Safety Award.

C. Capital Structure.

1. The 2004 Bonds

In 2004, the Dutchess County Industrial Development Agency (the "Issuer") issued two series of Civic Facility Revenue Bonds (the "2004 Bonds"). The Series A 2004 Bonds, in the aggregate principal amount of $19.275 million, were issued to repay outstanding

bond debt that was issued by the Issuer in 1993 and 1999. The Series B 2004 Bonds, in the aggregate principal amount of $8.76 million, were issued in order to allow the Debtors to: undertake certain capital improvement construction projects including: construction, furnishing, and equipping 11,450 square feet of lab space; constructing, furnishing and equipping 7,070 square feet of emergency and trauma space, including 4,320 square feet for psychiatric patients; renovating 15 patient rooms in the Critical Care Unit, including the central nursing station; renovating 10 patient rooms in the mental health unit, including bathrooms; acquiring imaging equipment; and fund general repair and maintenance of the Debtors' campus. The Series A 2004 Bonds are due and payable on March 1, 2029 and accrue interest at an annual rate of 7.500%, based on a 360-day year. The Series B 2004 Bonds are due and payable on March 1, 2019 and March 1, 2029 and accrue interest at an annual rate of 7.25% and 7.500% respectively, based on a 360-day year.

The 2004 Bonds were issued pursuant to a certain Indenture of Trust dated of March 1, 2004 (the "2004 Indenture") by and between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the "Bond Trustee").

In connection with the issuance of the ~~Series B~~ 2004 Bonds, the Issuer acquired a leasehold interest in a portion of Saint Francis' hospital campus (the "Facility") pursuant to a hospital lease agreement dated March 1, 2004 whereby Saint Francis leased the Facility to the Issuer. Concurrently, Saint Francis and the Issuer entered into a lease agreement (as subsequently amended and modified, the "Lease Agreement") whereby the Issuer sublet its interest in the Facility to Saint Francis. Pursuant to the Lease Agreement, Saint Francis is obligated to make monthly payments sufficient to pay principal of, premium, if any, and interest, when due, on the 2004 Bonds.

Saint Francis and Saint Francis Health Care Foundation (the "Guarantors") guaranteed the obligations arising under the Lease Agreement and the 2004 Bonds to the Bond Trustee and the Issuer pursuant to a certain Guaranty Agreement, dated as of March 1, 2004 (as subsequently amended and modified, the "Guaranty"). As further collateral, and as more particularly described in that certain Mortgage and Security Agreement dated as of March 1, 2004 from the Issuer and Saint Francis to the Bond Trustee (the "2004 Mortgage"), the Issuer and Saint Francis granted a security interest in, among other things, Saint Francis' campus and all buildings and improvements thereon. In addition, pursuant to the 2004 Mortgage, Saint Francis pledged the gross receipts of the hospital to the Bond Trustee to secure its obligations under the Lease Agreement, the 2004 Mortgage, the 2004 Guaranty, and related transaction documents (collectively, the "2004 Transaction Documents").

The 2004 Bonds are payable from, among other sources, (i) payments made by Saint Francis under the Lease Agreement, (ii) payments made by the Guarantors under the Guaranty, and (iii) from certain funds established under the 2004 Indenture.

In addition, prior to the issuance of the 2004 Bonds, Saint Francis was in arrears with respect to certain obligations owed to the Archdiocesan Pension Plan ("APP") in the amount of approximately $6 million. In connection with the 2004 Bond issuance, Saint Francis executed a promissory note in the amount of such arrearage in favor of APP (the "APP Note") dated as of March 1, 2004 which was secured by a Mortgage and Security Agreement, dated as

of March 1, 2004 (the "APP Mortgage") from Saint Francis to APP which consisted of a first mortgage lien and security interest in the Facility and a security interest in the gross receipts of Saint Francis. Pursuant to a Subordination Agreement, dated March 1, 2004 (the "Subordination Agreement") from APP to the Bond Trustee, APP agreed to subordinate the APP Mortgage and APP's Claims to the liens and Claims of the Bond Trustee. A Subordination Agreement, dated as of June 26, 2007, from APP to the Bond Trustee provides that APP shall not be entitled to the payment of any sum under the APP Note or the APP Mortgage until such time as the Bond Trustee shall have recovered the full amount of the indebtedness evidenced by the Bond Documents. Since the Bond Claim is not being paid in full under the Plan, it appears that the APP Subordinated Claim should be disallowed or should be treated as a Subordinated Claim. The Plan Administrator's rights to seek to treat the APP Subordinated Claim as a Subordinated Claim, or to otherwise object to the APP Subordinated Claim, are fully preserved.

2. The 2007 Bonds

On June 1, 2007, the Issuer and Bond Trustee entered into the Second Supplemental Indenture of Trust (the "2007 Indenture") to facilitate the issuance of bonds (the "2007 Bonds") in an additional aggregate principal amount of $9.5 million. The 2007 Bonds were issued to provide financing to furnish, equip, renovate and improve the existing 12,901 square feet of emergency and trauma space; expand, construct, furnish, and improve approximately 8,685 square foot addition to the emergency and trauma space to include 26 treatment rooms (21 private), two waiting rooms, three separate but connected trauma rooms, and seven patient bathrooms; and construct, renovate, furnish, equip and improve approximately 4,800 square feet of new Adult Cardiac Catheterization Lab space, including 2 procedure rooms. The 2007 Bonds accrue interest at an annual rate of 6.70%, based on a 360-day year, and are due to mature on March 1, 2037.

To secure the payment of the 2007 Bonds, the Issuer and Saint Francis executed and delivered a Mortgage and Security Agreement, dated as of June 1, 2007 (the "2007 Mortgage") to the Bond Trustee, granting a mortgage lien and security interest against, among other things, the Saint Francis campus and all buildings and improvements thereon. In addition, pursuant to the 2007 Mortgage, Saint Francis pledged the gross receipts of the hospital to the Bond Trustee to secure its obligations under the Lease Agreement, the 2007 Mortgage and related documents.

Pursuant to the terms of a Mortgage Consolidation, Modification, Extension and Security Agreement, dated as of June 1, 2007 (the "Mortgage Consolidation Agreement") the liens granted by the 2004 Mortgage and 2007 Mortgage were consolidated to provide one consolidated mortgage lien securing the 2004 Bonds and 2007 Bonds in the aggregate principal amount of $37.535 million. In addition, the Lease and Guaranty were amended and modified to reflect the issuance of the 2007 Bonds and the obligations thereunder.

Based upon these liens, the Bond Trustee has a lien against substantially all of the Assets of the Debtors and their Estates.

D. Events Leading To Commencement Of Chapter 11 Cases.

1. Legislative, Regulatory and Contractual Matters Affecting Revenue

The healthcare industry in New York State has become increasingly challenging for providers like the Debtors. Inpatient volume (and therefore revenues) has declined, while costs have increased at a rate faster than inflation. This results in the trimming of already slim margins on which a hospital must operate.

Moreover, the hospital's two largest "clients" – Medicare and Medicaid – have kept their reimbursement rates low and made the billing process increasingly rigorous. In combination with certain systemic problems the Debtors encountered in connection with a software platform transition described more fully below, the daunting economic landscape led to the Debtors' increased inability to recapture costs associated with patient services.

2. Software Transition and Billing Issues

Beginning in September 2012, the Debtors implemented a series of new comprehensive information systems, including Meditech (comprehensive), iPeople (clinical decision support), and Allscripts (financial decision support) in an effort increase the Debtors' operational efficiency. By October 2012, the Debtors determined that the implementation of the Meditech software had failed. The implementation failed because, among other things, the Debtors' medical records department and patient billing and collection department were understaffed and underperforming. In addition, material aspects of the customer defined tables in the software were inadequately prepared.

The failure of the Meditech implementation under previous management and governance had a significant impact on the Debtors' financial reporting and revenue cycle functions. In an effort to rectify these issues, the Debtors engaged several consulting organizations during late 2012 and early 2013. The Debtors attempted to retrain its staff and employed Dell to assist in the transition and implementation of the software. Unfortunately, not enough of the previous and rapidly aging accounts receivable were collected. In addition, ongoing billing issues during later 2012 and early 2013 further strained cash flow. Causes of Action of the Debtors may exist against current or former officers and board members of the Debtors and/or others relating to the failure of the implementation of the Meditech software. The Plan Administrator may pursue such Causes of Action.

3. Changes to the Composition of the Board of Trustees

For almost 50 years Saint Francis' Board of Trustees was controlled by a succession of several families. For various reasons, including the financial issues set forth above, the Sisters of Saint Francis felt that a change to the board was necessary in order to give the hospital a fresh start and a new vision going forward. In August 2013, the entire Executive Committee (consisting of six board members) was removed from the Board of Trustees, and thereafter, three additional board members resigned in protest. At approximately this same time, Art Nizza was named as President and CEO to focus on the Saint Francis restructuring efforts and Kristin Cash-Holland was named as Chief Financial Officer.

These board-level changes led the Debtors to revisit their business strategy and reevaluate their path going forward. It became clear to the newly constituted Board of Trustees that the hospital's future was in jeopardy and was in a much more precarious financial situation than the Sisters of Saint Francis had previously known or believed. It also became clear that the implementation of the Meditech software was problematic and that additional capital resources would be needed to rectify the troubled implementation.

4. Rapid Growth of SEIU 1199

For almost 15 years, the Service Employees International Union Local 1199 ("SEIU 1199") has represented approximately 27 of the Debtors' maintenance staff. However, until recently the rest of the Debtors' staff was not unionized.

On September 6, 2013, almost 500 additional employees were certified by the National Labor Relations Board (the "NLRB") as voting to become members of SEIU 1199. In addition, on September 20, 2013, approximately 300 of hospital's registered nurses voted to participate in SEIU 1199 as well.

As a result of this rapid and recent growth of SEIU1199, the Debtors' anticipate that their labor costs will continue to rise, without a prospect for revenue to cover these added costs.

5. Defaults Under the 2004 and 2007 Bonds and Contemplated Asset Sale Transaction

In late 2012 and early 2013, the Debtors violated several non-financial and financial covenants associated with the 2004 Bonds and 2007 Bonds. As a result of these covenant defaults, in August and September, the Debtors engaged in extensive negotiations and discussions with the Bond Trustee about forbearance and restructuring alternatives. These discussions resulted in the Debtors engaging financial and legal professionals - CohnReznick ("CR"), Nixon Peabody LLP ("NP"), and Deloitte Corporate Finance LLC ("Deloitte") - in order to explore the possibility of a sale or merger of the hospital to another healthcare provider in addition to exploring other potential uses for the Debtors' Facility.

While these discussions were underway regarding a forbearance period or other debt restructuring alternatives, the Debtors determined that, given their financial condition and accelerating financial losses, they had no viable alternative but to move quickly to sell their Assets and, in connection with that process, make preparations for an orderly bankruptcy process.

In November 2013, the Debtors' financial distress became so severe that the Debtors faced an immediate liquidity crisis and requested that the Bond Trustee provide a bridge loan to permit the Debtors to meet payroll, pay vendors and continue as a going concern pending the commencement of these cases and allowing the Debtors' a meaningful chance to obtain debtor in possession financing. The Bond Trustee agreed to provide certain emergency financing to the Debtors in an amount not to exceed $2.3 million (the "Emergency Advances") to meet payroll and other operational expenses, and to allow the Debtors to explore the process of an orderly bankruptcy filing, with necessary post-petition financing in place, to facilitate a sale of

the Debtors' Assets. As of the Petition Date, $2.3 million of this bridge loan remained outstanding. In connection with the Emergency Advances, the Bond Trustee and the Debtors entered into a forbearance agreement, whereby the Bond Trustee agreed not to exercise rights under the Bond Documents provided the Debtors performed under the terms of the forbearance.

In the last calendar quarter of 2013, the Debtors, with the advice of CR, NP and Deloitte, began to market the Debtors' Assets and to work to identify a potential purchaser for those Assets. As a result of that process, the Debtors negotiated and executed a form of Asset Purchase Agreement (the "Health Quest APA") between the Debtors and Health Quest Systems, Inc. or its designee ("Health Quest") to facilitate the contemplated transaction. The Health Quest APA contemplated the sale of substantially all of the Debtors' Assets (collectively, the "Purchased Assets"). The Health Quest APA represented the "Stalking Horse Bid" in the Debtors' bankruptcy cases, and was subject to higher or better offers and the approval of the Bankruptcy Court.

III. THE CHAPTER 11 CASES

A. Filing. On December 17, 2013, the Debtors each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (the "Petition Date"). By Order of the Bankruptcy Court, dated December 19, 2013, the Debtors' Chapter 11 Cases were consolidated for procedural purposes only and are being jointly administered under case number 13-37725 (CGM). The Honorable Cecelia G. Morris has presided over the Chapter 11 Cases since the Petition Date.

B. Administration of the Cases. After the Petition Date, and in accordance with sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continued to operate their businesses and manage their properties as Debtors in possession. As of the date of this Disclosure Statement, no trustee or examiner has been appointed in the Chapter 11 Cases, nor has any motion for a trustee or examiner been made.

C. Bankruptcy Court First Day Orders. On or about December 19, 2013, the Bankruptcy Court entered a number of orders granting the Debtors various forms of interim relief. In particular, the Debtors obtained orders, among others:

(i) authorizing the Debtors to maintain existing bank accounts and business forms;

(ii) authorizing an extension of the Debtors' time to file schedules of Assets and liabilities and statement of financial affairs;

(iii) authorizing the Debtors to pay pre-petition payroll and related employee benefits;

(iv) authorizing the Debtors to continue workers' compensation programs and insurance policies and pay all obligations owing thereunder;

(v) granting administrative expense status to the Debtors' undisputed obligations arising from the post-petition delivery of materials ordered in the pre-petition period

and authorize the Debtors to pay such obligations in the ordinary course of business, as well as to pay critical vendors; and

(vi) establishing procedures for treatment of valid reclamation claims.

D. Appointment of Creditors' Committee. On December 23, 2013, the United States Trustee for the Southern District of New York appointed the following Creditors to the Committee:

1. Cardinal Health, Inc.

2. Restorix Health, Inc.

3. Owens & Minor Distribution, Inc.

4. 1199SEIU United Healthcare Workers East

5. HTA Poughkeepsie, LLC

E. Appointment of Patient Care Ombudsman. On January 24, 2014, the Bankruptcy Court entered an order directing the appointment of a "Patient Care Ombudsman" in accordance with section 333(a)(2) of the Bankruptcy Code. On January 30, 2014, the United States Trustee named Barry Liss an ombudsman in the Chapter 11 Cases.

F. Retention and Compensation of Professionals.

1. Bankruptcy and Special Counsel. On January 3, 2014, the Debtors filed an application to retain NP on an interim basis. An Order approving the retention of NP was entered on February 5, 2014.

2. Sales Consultants. On January 3, 2014, the Debtors filed an application to retain Deloitte as sales consultant. An Order approving the retention of Deloitte was entered on February 5, 2014.

3. Financial and Restructuring Consultant. On January 3, 2014, the Debtors filed an application to retain CR as financial advisor and restructuring consultant to the Debtors. An Order approving the retention of CR was entered on February 5, 2014.

4. Claims and Voting Agent. Because of the large number of Creditors in these Chapter 11 Cases, on December 20, 2013, the Debtors obtained Bankruptcy Court approval to have BMC Group, Inc. ("BMC") appointed as the official claims agent for the Clerk of the Bankruptcy Court. The services performed and to be performed by BMC include: (a) distribution of notices required to be sent to parties-in-interest, (b) receipt, maintenance, docketing and administration of the proofs of claims filed in the Chapter 11 Cases, (c) tabulation of acceptances and rejections of the Plan, and (d) other administrative services that the Debtors may require.

5. Professionals Retained by the Creditors' Committee. During the Chapter 11 Cases, the Committee retained Alston & Bird LLP as their legal advisors and CBIZ Accounting, Tax & Advisory of New York, LLC as their financial advisors. ~~A final Order approving the retention of Alston & Bird is pending, as is a final Order approving the retention of CBIZ as financial advisor~~Orders have been entered approving those retentions.

6. Professionals Retained by Patient Care Ombudsman. Following his appointment, on January 24, 2014, the Patient Care Ombudsman filed an application seeking authorization to retain Gibbons, P.C. as counsel. The Bankruptcy Court has not acted on that application as of the date of this Disclosure Statement.

7. 457(b) Plan Litigation. Prior to the Petition Date, the Debtors had offered its employees the opportunity to participate in a 457(b) plan effective July 1, 2003, as amended and restated on January 2, 2010 (the "457(b) Plan"). Pursuant to the terms of the 457(b) Plan, "a participant may defer amounts of compensation (and income earned on those deferrals) and avoid federal income taxation until those amounts are paid or made available to the participant." Section 457(b) of the Internal Revenue Code requires that, in order to be considered an eligible deferred compensation plan, any income retained by an employer as part of that plan must remain subject to the claims of the employer's general creditors. 26 U.S.C.A. § 457. However, Section 541(b)(7) of the United States Bankruptcy Code makes certain exclusions from the definition of property of a debtor's estate. These exclusions include plans governed by 457 of the Internal Revenue Code. As a result, it is unclear who has rightful title to the funds held in the 457(b) Plan. Approximately, $3.3 million is held in the 457(b) ~~Pla~~Plan. On February 14, 2014, the Debtors filed a complaint and a motion for declaratory judgment with respect to the 457(b) Plan in order to determine whether or not the funds held in the 457(b) Plan constitute property of the Debtors' Estates. As of the date of this Disclosure Statement, this issue has not been resolved. To the extent this issue is not resolved prior to the Effective Date, the matter will continue to be litigated after the Effective Date. The Committee is a defendant in the adversary proceeding (Adversary Proceeding No. 14-09007) commenced by the Debtors. After the Effective Date, the Post Effective Date Committee will have standing and authority to continue to defend and prosecute the Committee's position as a defendant in the adversary proceeding. In addition, Causes of Action of the Debtors may exist against current or former officers and board members and/or others relating to the 457(b) Plan, including, but not limited to, the failure to properly establish the 457(b) Plan. The Plan Administrator may pursue such Causes of Action. Michael Cunningham, a participant in the 457(b) Plan, disputes that the funds/proceeds of the 457(b) Plan are property of the Debtors' estates. Mr. Cunningham maintains that funds/proceeds in the 457(b) Plan are not property of the Debtors' estates from the Debtors' estates and Mr. Cunningham intends to oppose the complaint and motion for declaratory judgment and any other action by the Debtors to control the funds in the 457 Plan. Mr. Cunningham further reserves all objections he may have to the confirmation of the Debtors' Plan, including the proposed substantive consolidation of the Debtors' estates under the Plan and the proposed use of the funds/proceeds in the 457(b) Plan to pay the claims of the Debtors' other creditors. Mr. Cunningham further objects to the release or enjoining of any and all claims, rights, causes of action, remedies, or the like he may have or hold against any person or entity relating to the 457(b) Plan, including the release, exculpation, or the enjoining of any claims or rights he may have or hold against any other person, entity or insurance policy that may apply to his claims under the 457(b) Plan.

8. Post-Petition Financing~~.~~.

On December 17, 2013, the Debtors filed a motion seeking entry of an interim order and a final order, pursuant to sections 105(a), 361, 362, 363, 364(c) and 364(d) of the Bankruptcy Code, and Bankruptcy Rules and Rule 4001-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "Local Rules"), granting authorization under sections 364(c) and 364(d) of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules for the Debtors to obtain secured, superpriority postpetition financing (the "DIP Financing") on the terms provided under:

(a) a revolving loan with a principal amount of up to Nine Million Dollars ($9,000,000) (the "DIP Revolving Loan") as set forth in that certain Debtor in Possession Revolving Loan Credit and Security Agreement, dated as of December 17, 2013, by and between the Debtors and MidCap Financial, LLC ("MidCap Financial") (the "DIP Revolving Credit Agreement"); and

(b) a term loan in the original principal amount of Eleven Million Dollars ($11,000,000) (the "DIP Term Loan"; and together with the DIP Revolving Loan, the "DIP Loan") as set forth in that certain Debtor in Possession Term Loan Credit and Security Agreement, dated as of December 17, 2013, by and between the Debtors and MidCap Funding V, LLC ("MidCap Funding"; and together with MidCap Financial, as lender, the "DIP Lender" and, as agent, the "DIP Agent"), (the "DIP Term Credit Agreement"; and together with the DIP Revolving Credit Agreement, the "DIP Credit Agreement").

The Bankruptcy Court approved the DIP Financing on both interim grounds and on a final basis. The Debtors sought and received under the Final Cash Collateral and DIP Order authorization to pay the principal, interest, fees, expenses and other amounts payable under each of the DIP Credit Agreement as they become due, including, without limitation, closing/origination fees, unused line fees, collateral management fees, appraisal and/or audit fees, exit fees, fees and disbursements of the DIP Lender's attorneys, advisors, accountants, and other consultants, and any other legal expenses of the DIP Lender, all in accordance with the budget agreed upon in connection with the DIP Financing, and as otherwise provided in the DIP Credit Agreement. The Debtors were also authorized to grant security interests, liens, superpriority claims (including a superpriority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code and liens pursuant to sections 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code), and related protections to the DIP Lender to secure all obligations, as set forth in DIP Credit Agreement.

G. Use of Cash Collateral and Adequate Protection.

The Debtors also sought the use of Cash Collateral of the Bond Trustee and the consent of the Bond Trustee to the priming liens contemplated by the DIP Credit Agreement. In exchange for the consent of the Bond Trustee, the Debtors sought and received under the Final Cash Collateral and DIP Order authorization to provide to the Bond Trustee, among other things, (i) to the extent of a diminution in value (a "Diminution Claim") (a) a super priority administrative expense claim (including against proceeds of Avoidance Actions to the extent of $1 million); (b) a replacement lien, and (c) a supplemental lien; (ii) repayment of $1.3 million of

the Emergency Advance; and (iii) monthly payments equal to the debt service payment under the Bond Documents.

Access to the funds under the DIP Credit Agreement and the use of Cash Collateral were essential to ensure that the Debtors could fund their postpetition operating requirements and preserve and maintain their Assets and the infrastructure of their businesses to achieve the sale of substantially all of their Assets under the Bankruptcy Code.

H. Sale to WMC.

On December 17, 2013, the Debtors filed a motion, pursuant to sections 105 and 363 of the Bankruptcy Code, seeking authorization to sell substantially all of their Assets to Health Quest, free and clear of all liens, claims and encumbrances, as set forth in the Health Quest APA, subject to higher and better offers. The Debtors simultaneously sought approval of sale procedures intended to solicit higher and better offers for the Debtors' Assets, ~~which~~while balancing those efforts against the Debtors' continuing financial losses.

On December 19, 2013, the Bankruptcy Court entered a "Sale Procedures Order" establishing, among other things, noticing of the proposed sale to Health Quest and approving bidding procedures for potential purchasers. In compliance with the Sale Procedures Order, the Debtors and their advisors coordinated with BMC, the Bankruptcy Court-approved noticing agent, to serve notice of the sale, the auction, the sale hearing and related matters upon all known Creditors and parties-in-interest and to all potential entities that had expressed an interest in acquiring the Debtors' Assets. The Debtors also caused notice of the auction and sale hearing to be published in *The Wall Street Journal* and *USA Today* on January 29 and 30, 2014 respectively. Notices also were published in Beckers Hospital Review and Modern Healthcare on January 31, 2014 and February 3, 2014 respectively.

Pursuant to the Sale Procedures Order, the Bankruptcy Court established certain deadlines for the sale process. Among other things, the Sale Procedures Order provided that if an "Expression of Interest" (as defined in the Sale Procedures Order) was received by the Debtors by January 10, 2014 an extended sales process would be set in motion. Upon the receipt of an Expression of Interest, parties would have until February 10, 2014 (the "Bid Deadline") to submit Qualified Bids to the Debtors. The Sale Procedures Order provided that if one or more Qualified Bids were received by the Debtors by the Bid Deadline an auction would be held on February 13, 2014. Moreover, the Sale Procedures Order scheduled a Sale Hearing for February 18, 2014. On February 5, 2014, the Bankruptcy Court entered a "Supplemental Sale Order" approving a $1,000,000.00 Break-Up Fee and Expense Reimbursement (in the aggregate) for Health Quest payable in the event that (among others) the Debtors elected to abandon the proposed sale of the Purchased Assets to Health Quest in favor of pursuing an alternative transaction.

On January 9th and 10th, the Debtors received three (3) Expressions of Interest, including one from WMC. Two Expressions of Interest were limited to the Debtors' home health business. Other than WMC and Health Quest, no other party expressed interest in purchasing all of the Purchased Assets. Upon the receipt of the Expressions of Interest, the Debtors worked diligently to provide due diligence to various parties. After the submission of

the Expressions of Interest several other parties approached the Debtors and conducted due diligence with respect to parts of the Debtors' Assets (relating to the home health care and preschool lines of business). After extensive marketing efforts by the Debtors and their advisors, prior to the Bid Deadline, the Debtors received a Qualified Bid by WMC. The Debtors did not receive any other Qualified Bids or any non-qualifying bids.

Thereafter, the Debtors and WMC negotiated a fair market value sale to WMC and those negotiations resulted in the bid contained in the WMC Asset Purchase Agreement (the "WMC APA"). The Debtors and WMC then entered into the WMC APA on February 10, 2014. The WMC APA contemplates the sale of substantially all of the Debtors' Assets. The terms of the WMC APA are, however, substantially and materially better than those provided for in the Health Quest APA for all parties-in-interest. Among other terms, the WMC APA provides approximately $18 to $20 million more in consideration to the Debtors Estates than the Health Quest offer, and the WMC proposal has a broader list of Excluded Assets that will remain with the Estates. The WMC APA also provides for WMC to provide the Debtors with the Exit Facility, thereby enabling a feasible wind-down of the Debtors' Estates and the remaining Assets. Importantly, the Exit Facility will be non-recourse, and will only be secured by Receivables. Additionally and importantly, WMC has advised the Debtors that it intends to retain inpatient psychiatric beds and emergency mental health services, chemical dependency and detox, Level II Trauma emergency services on the Saint Francis campus itself and pre-school and early intervention in the local community where it currently exists. The goal expressed by WMC in relation to the WMC offer is to add services to the Saint Francis campus, giving the best opportunity for additional growth in the local community. This pledge ensures the continuity of services at the Saint Francis campus, with minimal disruption.

~~In light of the bid for a fair market value sale of substantially all of the Debtor' assets to WMC, Health Quest indicated that it was no longer interested in pursuing the acquisition of the Debtors' assets through an auction process.~~ On February 10, 2014, the Debtors filed with the Bankruptcy Court a notice cancelling the Auction and supporting a sale of the Assets to WMC (the "Notice of Cancellation"), The Notice of Cancellation set forth the bases for cancelation of the Auction, including that (i) it appeared that regulatory issues would make it difficult if not impossible to consummate a deal with Health Quest; (ii) WMC agreed to submit a fair market value bid, instead of the minimum overbid provided for in the Sale Procedures Order if the proposed Auction was cancelled; and (iii) if the Auction was not canceled, WMC indicated it would not agree to the fair market value reflected in the WMC APA, but would instead submit a minimum qualifying bid required by the Sale Procedures Order and stand on that bid amount. Thereafter, Health Quest and the Debtors, submitted a stipulation to the Bankruptcy Court whereby Health Quest formally withdrew from the sale process [Dkt. No. 344].

The Committee filed a limited objection to the Debtors' request to approve a sale of the Purchased Assets to WMC [Dkt. No. 314] objecting to, among other matters, the allocation of the consideration being paid by WMC to the Debtors' Estates under the WMC APA and the rights of the holders of the Existing Bonds to receive the New Hospital Bonds at the Closing. That objection was resolved by, inter alia, the Debtors', the Committee's and the Bond Trustee's agreement to support the confirmation and consummation of a plan of reorganization that: (i) implements terms of the Sale Order and the WMC APA; (ii) provides that the Bond Trustee shall, upon the Effective Date, cause to be paid over to the Debtors' Estates the

aggregate sum of $3 million;[4] (iii) provides that the holders of the Existing Bonds as of the Distribution Record Date shall receive the New Hospital Bonds on the Effective Date and all other funds held by the Bond Trustee subject to and in accordance with the Bond Documents, in full satisfaction, settlement, release and discharge of the Bond Claim; and (iv) provides that as of the Effective Date, the Committee and all other parties shall be deemed to have waived and released any rights to challenge the validity, amount, perfection, priority, extent or enforceability of the Bond Claim, the Emergency Advances or the pre-petition security interests of the Bond Trustee or to commence any claim or action against any Released Parties relating to the Released Claims (as those terms are used in the Final Cash Collateral and DIP Order).

At a hearing in the Bankruptcy Court on February 18, 2014, the Bankruptcy Court approved the Notice of Cancellation and on February 24, 2014, entered the Sale Order. Following Bankruptcy Court approval for the Asset Sale, the Debtors and WMC sought to satisfy the closing conditions and obtain the necessary regulatory approvals. As part of the regulatory approval process, the New York State Public Health and Health Planning Council ("PHHPC") needs to approve the Asset Sale to WMC. Conditional approval of the Asset Sale has been sought from PHHPC which is a condition to Closing. A condition of closing on the sale under the WMC APA is approval of the Plan. The WMC APA provides for termination unless an order confirming the Plan is entered on or before May ~~2~~9, 2014.

I. Executory Contracts and Unexpired Leases.

1. Assumption of Contracts and Leases. Pursuant to the Sale Order, and WMC APA, Assumed Contracts and Assumed Leases shall be assumed and assigned pursuant to Bankruptcy Code section 365 as of the Asset Sale Closing ~~Date.~~DateCure Payments, if any, shall be made in accordance with the Sale Order and APA within five (5) business days of the Asset Sale Closing Date.

2. Rejection of Contracts and Leases. Except as otherwise set forth in the Plan each contract of the Debtors that is not assumed and assigned to WMC that has not expired by its own terms before the ~~Effective~~Asset Sale Closing Date shall be rejected as of the Asset Sale Closing Date. As of the Asset Sale Closing Date, except as otherwise set forth in the APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded shall be terminated and deemed rejected. Except as otherwise set forth in the WMC APA, all employees currently employed by the Debtors under such agreements as of the Asset Sale Closing Date shall be terminated thereon.

[4] As set forth herein, pursuant to a subsequent order entered by the Bankruptcy Court on March 7, 2014, $300,000 of the $3.0 million payment will be contributed by certain non-Debtor third parties, effective as of the Effective Date. Such funds are currently held by the Debtors' attorneys in their client trust fund account.

J. Bar Date For Filing Pre-Petition and Post-Petition Proofs of Claims.

The Debtors filed their Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs on January 31 and February 1, 2014. By an Order dated March ~~[__],~~ 7, 2014 (the "Bar Date Order") the Bankruptcy Court fixed April 16, 2014 as the date by which most proofs of claims for prepetition Claims had to be filed against the Debtors.[5] Under the Bar Date Order and the Plan, unless otherwise ordered by the Bankruptcy Court, any person or entity that was required to file a timely proof of claim and failed to do so on or before the Bar Date will not be entitled with respect to such Claim to receive any payment or distribution of property from the Debtors, their successors or assigns, and will be forever barred from asserting such Claims against the Debtors' Estates. The Plan Administrator will be reviewing and reconciling Claims and will file appropriate objections thereto.

K. Collective Bargaining Agreements.

The Debtors were a party to a collective bargaining agreement with 1199 SEIU (the "1199 CBA") covering certain maintenance workers which expired on December 31, 2013. As of the date hereof, the 1199 CBA has not been extended or replaced. In addition, on September 6, 2013, almost 500 additional employees were certified by the National Labor Relations Board (the "NLRB") as voting to become members of SEIU 1199. In addition, on September 20, 2013, approximately 300 of hospital's registered nurses voted to participate in SEIU 1199 as well. Although no collective bargaining agreements currently exist, pursuant to the WMC APA, a professional employment organization ("PEO") designated by WMC shall negotiate in good faith with Local 1199 SEIU to enter into Collective Bargaining Agreements with the bargaining unit of the Debtors that was covered by the 1199 CBA and bargaining units of the Debtors that in 2013 voted to be represented by Local 1199 SEIU.

Pursuant to the WMC APA, the PEO (or in the case of physicians, a professional corporation or other authorized entity designated by Buyer) shall, at the time of the Asset Sale Closing Date, offer employment to a number of full-time equivalent employees that is not less than the number of full-time equivalent employees of the Debtors as of the Asset Sale Closing Date. Employment terms offered would be consistent with WMC's standard salary, wage and benefit programs. Any potential employees shall be required to be in good standing with the Debtors and, to the extent previously employed by WMC, shall also have been in good standing at WMC prior to their termination. Any selection for employment opportunities shall be conducted in accordance with WMC's standard employment screening policies and procedures. Any such offers of employment to the Debtors' employees shall be on such terms as the applicable employer deems appropriate in its sole discretion. Those employees who accept the applicable employer's offer of employment and commence working for the applicable employer on the Asset Sale Closing Date shall hereafter be referred to as "Hired Employees." All employees currently employed by the Debtors that do not receive an offer of employment shall be terminated as of the Asset Sale Closing Date.

[5] Governmental units have until June 15, 2014 to file proofs of claim against the Debtors.

Except as otherwise set forth in the WMC APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded will be terminated and deemed rejected..

L. Liquidation of Accounts Receivable.

The Debtors' accounts receivable (the "Accounts Receivable") are not being sold pursuant to the WMC APA and will be retained and liquidated pursuant to the Plan. Pursuant to the WMC APA, WMC has agreed to provide certain Exit Financing which will satisfy the existing obligations owed to the DIP Lender. This Exit Financing will be secured by a first priority lien on and security interest in the Accounts Receivable. Under the terms of this arrangement, once the Exit Financing is paid in full, any additional proceeds from the collection of Accounts Receivable will belong to the Reorganized Debtors and will be available to satisfy the Claims of Creditors. It is anticipated, based on current projections, that there may be approximately $500,000 available from the collection of Accounts Receivable after payment of the Exit Financing Obligations.

M. Records Storage.

As part of the WMC APA, WMC will be responsible for maintaining and preserving necessary medical records of the Debtors pursuant to applicable law. The Debtors and their Estates will have access to such records upon reasonable notice to WMC.

N. 9019 Settlement

As noted above, as part of the sale process, the Committee filed a limited objection concerning, among other things, the allocation of the consideration to be paid by WMC under the WMC APA. The Bond Trustee and the Committee disagreed as to the extent of the Bond Trustee's liens against the Debtors' Assets. Ultimately, the Bond Trustee and Committee resolved their respective disputes by providing the following: (a) the Debtors, the Committee and the Bond Trustee would support the confirmation and consummation of a plan of reorganization that: (i) implements the sale to WMC under the terms of the Sale Order and the WMC APA; (ii) provides that the Bond Trustee shall, upon the effective date thereof, cause to be paid over to the Debtors' Estates the aggregate sum of $3 million; (iii) provides that the holders of the Bonds as of the Distribution Record Date shall receive the New Hospital Bonds on the Effective Date and all other funds held by the Bond Trustee subject to and in accordance with the Bond Documents, in full satisfaction, settlement, release and discharge of the Bond Claim; and (iv) provides that as of the Effective Date, the Committee and all other parties shall be deemed to have waived and released any rights to challenge the validity, amount, perfection, priority, extent or enforceability of the Bond Claim, the Emergency Advances or the pre-petition security interests of the Bond Trustee or to commence any claim or action against any Released Parties relating to the Released Claims (as those terms are used in the Cash Collateral and DIP Order) under § 42 of the Cash Collateral Order or otherwise; except with respect to the terms set forth in (a) above, the Committee and the Bond Trustee reserve all of their rights in connection with any Chapter 11 plan proposed by the Debtors; and (c) if the WMC APA is terminated, or if both the

sale to WMC and effective date of the Proposed Plan do not occur on or before May 9, 2014, then the Committee or Bond Trustee may, by written notice to the other and the Debtors, declare the foregoing resolution null and void so long as the party giving notice is not then in material breach of the foregoing terms, and the resolution shall thereafter have no further force or effect and shall not constitute any admission by any party as to any matter relevant to the Committee's "allocation objection" filed in connection with the Sale Hearing. To facilitate the foregoing resolution, the Committee challenge period set forth under § 42 of the Cash Collateral and DIP Order was extended until the first to occur of (a) the 21st day after any termination of the Purchase Agreement; (b) the effective date of a Chapter 11 plan; or (c) May 31, 2014.

On February 26, 2014, the Debtors filed their *Supplemental Statement Regarding Motion for Entry of Order Pursuant to Bankruptcy Code Sections 363, 541, and 105(a), Authorizing Debtors to Pay Prepetition Amounts Associated with Restricted Funds* (the "Grant Supplement")[Dkt. No. 371]. As further described in the Grant Supplement, the 9019 Contribution is to be funded by the Bond Trustee from the sources described in Schedule 1.1 of the Plan; however, although Schedule 1.1 states that $300,000 of the 9019 Contribution is being contributed by other non-Debtor parties, it is the obligation of the Bond Trustee to pay the full amount of the 9019 Contribution to the Debtors' Estates even if the other non-Debtor parties fail to provide the $300,000 portion of the $3,000,000 payment. On March 7, 2014, the Bankruptcy Court entered the *Third Interim Order Pursuant to Bankruptcy Code Sections 363, 541, and 105(a), Authorizing Debtors to Pay Prepetition Amounts Associated with Restricted Funds* [Dkt. No. 435] which approved a series of transactions whereby certain non-Debtor parties (i) contributed $100,000 cash to fund the 9019 Contribution, (ii) re-designated a previously existing $200,000 restricted gift to fund the 9019 Contribution, and (iii) contributed stocks to replenish the loss realized by the re-designation of the previously restricted $200,000 gift. Subsequently, the Debtors provided such $300,000, consistent with the transactions described in the Grant Supplement, to their attorneys, which is currently being held in a client trust account. Upon the Effective Date, $300,000 will be released from the client trust account to the Reorganized Debtors in order to partially fund the 9019 Contribution, as is contemplated under Schedule 1.1 of the Plan.

Through this settlement certain funds have been made available to the Debtors' Estates providing for (i) the ability of the Debtors to consummate the Plan and (ii) a possible distribution to Creditors holding Allowed Unsecured Claims.

IV. SUMMARY OF THE PLAN

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.

Only administrative expenses, claims and interests that are "allowed" may receive distributions under a Chapter 11 plan. An "allowed" administrative expense, claim or interest simply means that the debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines, that the administrative expense, claim or interest, including the amount thereof, is in fact a valid obligation of, or interest in, the debtor. Section 502(a) of the Bankruptcy Code

provides that a timely filed administrative expense, claim or interest is automatically "allowed" unless the debtor or another party-in-interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the Debtors' equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or Interest before the deadline to file proofs of claim and interests.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a Chapter 11 plan divides the different claims against, and interests in, the debtors into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or interests which give rise to different legal rights, the holders of such claims and/or interests may find themselves as members of multiple classes of claims and/or interests.

Under a Chapter 11 plan, the separate classes of claims and interests must be designated either as "impaired" (altered by the plan in any way) or "unimpaired" (unaltered by the plan). If a class of claims or interests is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the Chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under Chapter 7. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan or the date on which amounts owing are due and payable, payment in full, in cash, with post-petition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate a debtor's obligations, the holder of an unimpaired claim will be placed in the same position it would have been in had the debtor's case not been commenced. Consistent with these requirements, the Plan divides the Claims against, and Interests in, the Debtors into the following Classes and affords the treatments outlined below.

A. Summary of Classification and Treatment of Claims and Interests Under the Plan.

If the Plan is confirmed by the Bankruptcy Court and is then consummated as is set forth below, holders of Claims will receive the distributions described below. Upon the Effective Date, the treatment of each Class of Claims under the Plan will be binding upon the Debtors, all holders of Claims, and all Persons whether or not such Persons are to receive any payments or other distributions under the Plan and whether or not such Persons have voted to accept the Plan.

Claims and Interests are divided into seven Classes under the Plan, and the proposed treatment of Claims varies among Classes. Administrative Claims, Fee Claims, U.S. Trustee Fees and Priority Tax Claims are not classified. The Plan contains (i) three Classes of unimpaired Claims, which consist of Secured Tax Claims, ~~Other~~ Secured Claims and Unsecured Priority Claims (Classes 1, 3 and 4) and (ii) two Classes of impaired Claims which consist of Bond Claims and General Unsecured Claims (Classes 2 and 5). The meaning of "Impairment," and the consequences in connection with voting on the Plan, is set forth in **Section 4** of the Plan.

The following section briefly summarizes the classification and treatment of Claims under the Plan.

Unclassified Claims

1. General.

In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Fee Claims, Priority Tax Claims and U.S. Trustee Fees have not been classified and are treated as described in **Section 2** of the Plan.

2. Administrative Claims.

Administrative Claims include any Claim for payment of an administrative expense or cost of a kind specified in Bankruptcy Code section 503(b) and referenced in Bankruptcy Code sections 507(a)(2), 507(b) or 1114(e)(2) including, without limitation, the actual, necessary costs and expenses of preserving the Estates and operating the businesses of the Debtors, including wages, taxes incurred by the Estates and allowed as administrative expenses, and salaries, or commissions for services rendered after the commencement of these Chapter 11 Cases; *provided, however*, the term does not include Fee Claims, DIP Claims or U.S. Trustee Fees, which are treated separately in the Plan.

Except as otherwise provided in the Plan, by written agreement of the holder of an Allowed Administrative Claim to accept different and less favorable treatment than provided under the Plan, or by order of the Bankruptcy Court, a Person holding an Allowed Administrative Claim will receive Cash equal to the unpaid portion of such Allowed Administrative Claim as soon as practicable after the later of: (a) the third Business Day after the Effective Date; (b) the date on which such Person becomes the holder of such an Allowed Administrative Claim; or (c) the date or dates when that Claim is payable by its terms, consistent with past practice and in accordance with past terms.

The Debtors estimate that the amount of accrued but unpaid Allowed Administrative Claims will be in the range of approximately $2.8 million to $5.0 million.

3. Fee Claims.

Fee Claims include any Claim for compensation for legal ~~and~~or other professional services and related reimbursement of expenses~~ allowed or awarded~~ under Bankruptcy Code sections 328, 330(a), 331, and/or 503(b).

Except as otherwise provided in the Plan, by written agreement of the holder of an Allowed Fee Claim to accept different and less favorable treatment than provided under the Plan, or by order of the Bankruptcy Court, a Person holding an Allowed Fee Claim will receive Cash equal to the unpaid portion of such Allowed Fee Claim as soon as practicable after the later of: (a) the third Business Day after the Effective Date; or (b) the date on which such Person becomes the holder of such an Allowed Fee Claim.

The Debtors estimate that the amount of accrued but unpaid Allowed Fee Claims will be in the range of approximately $4.2 million to $5.1 million.

4. U.S. Trustee Fees.

U.S. Trustee Fees include all fees and charges assessed against the Debtors under Chapter 1930 of title 28, United States Code. ~~The~~ All U.S. Trustee Fees will be paid in full by the Debtors or ~~the~~ Plan Administrator, as the case may be, as they become due and owing and shall ~~pay all U.S. Trustee Fees, in accordance with the terms of the Plan,~~continue to be paid until such time ~~as the Bankruptcy Court enters~~that (i) a final decree is entered closing the ~~Debtors'~~ Chapter 11 Cases, a Final Order converting the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or a Final Order dismissing the Chapter 11 Cases is entered and (ii) the Reorganized Debtors or Plan Administrator, as applicable, have met all Post-confirmation Operating Report Requirements of the U.S. Trustee's Operating Guidelines and Reporting Requirements for debtors in possession and trustees (unless the Bankruptcy Court orders otherwise) including providing an affidavit regarding quarterly reports of disbursements during each calendar quarter.

5. DIP Claims.

DIP Claims include any Claim derived from or based upon the DIP Loan Agreement. Except to the extent that a holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, and release~~ and discharge~~ of and in exchange for each and every Allowed DIP Claim, each holder of an Allowed DIP Claim shall receive, on the Effective Date, payment in full in Cash from proceeds of the Exit Facility.

6. Priority Tax Claims.

Priority Tax Claims include any Claim of a governmental unit of a kind entitled to priority under Bankruptcy Code section 507(a)(8). Allowed Priority Tax Claims, including but not limited to, any delinquent amounts and costs, Allowed Priority Tax Claims, including but not limited to, any delinquent amounts and costs, if any, relating to the assets being sold pursuant to

the Asset Sale, shall be paid by the Debtors. Unless otherwise agreed by the holders of the Allowed Priority Tax Claims to accept different and less favorable treatment than provided under this Plan, or by order of the Court, any Person holding an Allowed Priority Tax Claim will receive, as determined by the Plan Administrator in its sole discretion and in full satisfaction of such Claim: (a) payment in Cash in full on the later of the Effective Date or the date such Claim becomes an Allowed Claim; or (b) Cash over a period not exceeding five (5) years after date of assessment of such Claim, with interest at a rate equal to four percent (4%) per year, payable monthly, in periodic payments, having the value of such Claim as of the Effective Date. Any Claim for or demand for penalty relating to any Priority Tax Claim other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code shall not be Allowed and the holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Estates or any of the Assets.

The Debtors do not believe that there are any accrued, unpaid Priority Tax Claims.

7. Bar Dates for Administrative Claims and Fee Claims.

(a) General Provisions. Unless the Court fixes a different date, all Administrative Claims must be filed no later than thirty (30) days after the Effective Date. All such Claims not timely filed shall be forever barred.~~ The Reorganized Debtors, the Plan Administrator or any other party in interest may object to the allowance of any such Claim filed before, on, or after the Effective Date.~~

(b) Fee Claims. Each Person retained or requesting compensation in these Chapter 11 Cases, pursuant to Bankruptcy Code sections 328, 330, 331 and/or 503(b) must file with the Bankruptcy Court an application for allowance of any Fee Claims within forty five (45) days after the Effective Date. All such Fee Claims for which an application is not timely filed shall be forever barred. Objections to each such application may be filed in accordance with the Bankruptcy Rules. The Bankruptcy Court shall determine all such Fee Claims.

Classified Claims

1. Class 1: Secured Tax Claims. This Class consists of all Allowed Secured Tax Claims. Each Allowed Claim in this Class shall be assumed by the Purchaser pursuant to the APA as part of the Asset Sale. The Debtors do not believe that there are any Creditors holding Claims that may be Allowed as Secured Tax Claims.

2. Class 2: Bond Claims. This Class consists of the Bond Claim, which shall be Allowed on the Effective Date and not subject to reduction, disallowance, avoidance, setoff, recoupment or subordination. On the Effective Date, each holder of Existing Bonds as of the Distribution Record Date shall be deemed to surrender and exchange its Existing Bonds and shall receive a *pro rata* amount of New Hospital Bonds. On and after the Effective Date, each holder of Existing Bonds as of the Distribution Record Date shall additionally be entitled to receive a *pro rata* distribution of Cash or proceeds from any cash equivalents, securities, investment property or other property held by the Bond Trustee after payment of or reserve for fees and expenses of the Bond Trustee and its professionals. The treatment set forth in the Plan shall be

in full and complete satisfaction of the Bond Claim. The Debtors estimate that the total amount of Allowed Claims in Class 2 is approximately $28,158,448.

3. Class 3: Secured Claims. This Class consists of all Allowed Secured Claims other than the Bond Claim. Each Allowed Claim in this Class shall be in a separate subclass. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment than provided under the Plan, or by order of the Court, each holder of an Allowed Claim in this Class will receive, at the election of the Plan Administrator: (a) payment of Cash in the amount of such holder's Allowed Secured Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date such Claim becomes Allowed; (b) the return of the property subject to the senior, perfected, non-avoidable, and indefeasible lien or security interest securing such holder's Allowed Secured Claim; or (c) the payment of any amounts agreed to be paid by the Purchaser with respect to such holder's Allowed Secured Claim, as assignee, pursuant to the Asset Sale. Any excess amount of a Class 3 Claim over the fair market value of the collateral securing such Claim, and any Secured Claim that does not have priority over the Bond Claim, shall constitute an Unsecured Deficiency Claim, which Claim shall be classified as a Class 5 Claim. The Debtors estimate that the total amount of Allowed Claims in Class 3 is approximately $277,000.

4. Class 4: Unsecured Priority Claims. This Class consists of all Allowed Unsecured Priority Claims. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment, each holder of an Allowed Unsecured Priority Claim which has not been satisfied as of the Effective Date shall receive Cash in the amount of such holder's Allowed Unsecured Priority Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed. Subject to, and in accordance with the terms of the APA, a professional employment organization ("***PEO***") designated by the Purchaser, (or, in the case of physicians a professional corporation or other authorized entity designated by the Purchaser) shall, to the extent it re-hires employees that were employed by the Debtors immediately prior to the Closing, award those employees credit for any accrued and unused paid time off that the employees have with the Debtors at the time of the Closing (the "***PTO Credit***"); provided, however that (i) the PTO Credit shall not exceed any cap that Purchaser places on the accrual of paid time off for its employees, and (ii) except to the extent required by applicable law, such hired employees shall not have the option to receive cash in respect of the PTO Credit. Any potential employees shall be required to be in good standing with the Debtors and, to the extent previously employed by Purchaser, shall also have been in good standing with Purchaser prior to their termination. The (i) amount of any such PTO Credit received by any former employee of the Debtors and (ii) the amount of any PTO used by such employee after the Petition Date in accordance with the Wage Order shall be ~~offset against~~applied to and reduce any Allowed Priority Claim that such employee holds against the Estates. The Debtors estimate that the total amount of Allowed Claims in Class 4 is approximately $2,360,000, which amount does not include any reductions for PTO Credit or PTO time used by employees after January 24, 2014.

5. Class 5: Unsecured Claims. This Class consists of all Allowed Unsecured Claims against the Consolidated Debtors. Unless otherwise agreed by the applicable holder of an Allowed Claim in this Class to accept different and less favorable treatment, each holder of an Allowed Unsecured Claim shall be entitled to receive such holder's *pro rata* share of Cash

available from the liquidation or disposition of the Assets after payment of or reserve for Allowed Claims described in ~~Allowed Administrative Claims, Fee Claims, U.S. Trustee Fees, Priority Tax Claims, Secured Tax Claims, Secured Claims or Unsecured Priority Claims~~Sections 2, 3.2.3 and 3.2.4 of the Plan on the later of: (a) the date or dates determined by the Plan Administrator, to the extent there is Cash available for distribution in the judgment of the Plan Administrator, having due regard for the anticipated and actual expenses, and the likelihood and timing, of the process of liquidating or disposing of the Assets; and (b) the date on which ~~there is a Final Order allowing~~ such Claim becomes Allowed. The Debtors estimate that the total amount of Allowed Claims in Class 5 is approximately $27.5 million.

6. Class 6: Subordinated Claims. This Class consists of all Allowed Subordinated Claims. Each holder of an Allowed Claim in this Class shall receive no distribution on account of such Claims.

7. Class 7: Interests. Each holder of an Interest ~~in the Debtors~~ will not receive any distribution on account of such Interest. Each ~~such~~holder of an Interest shall not receive or retain an Interest ~~in the Debtors, the Estates,~~ or other property or interests of the Debtors on account of such ~~Interests~~Interest.

B. Implementation of 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. All actions taken under the Plan in the name of the Debtors shall be taken through the Plan Administrator. As set forth more fully in the Plan, the Plan Administrator shall be responsible for the liquidation of the Debtors' remaining Assets, administration of the Plan and the wind-down of the Debtors and their Estates post-Effective Date. On the Effective Date, the Debtors' Boards of Directors shall be relieved of all further responsibilities, and the Debtors' Directors shall be deemed to have resigned therefrom, and the operation of the Debtors shall become the general responsibility of the Plan Administrator.

(a) Substantive Consolidation of Consolidated Debtors for Plan Purposes. The Plan shall constitute a motion, pursuant to Section 105(a) of the Bankruptcy Code, to substantively consolidate the Consolidated Debtors. Subject to the occurrence of the Effective Date and effective on the Effective Date, the Consolidated Debtors shall be substantively consolidated for all of those purposes and actions associated with confirmation and consummation of the Plan. On and after the Effective Date, (a) all assets and liabilities of each ~~Saint Francis' Hospital, Poughkeepsie, New York, Saint Francis Home Care Services Corporation, SFH Ventures, Inc., St. Francis Health Care Foundation, Inc. and Saint Francis Hospital Preschool Program, (collectively, the "Consolidated Debtors") shall be~~ of the Consolidated Debtors shall be treated as though they were merged into a single Estate solely for purposes of the Plan, (b) ~~no distributions shall be made under the Plan on account of Intercompany Claims or Interests, (c)~~ for all purposes associated with ~~confirmation~~the Plan, the Estates of each of the Consolidated Debtors shall be deemed to be one consolidated estate, ~~and (d~~(c) each and every Claim filed, to be filed in the Chapter 11 Cases or otherwise asserted against any of the Consolidated Debtors shall be deemed filed against the merged estate and (d) the Consolidated Debtors shall be treated as though they were merged into a single estate for the

purposes of calculating U.S. Trustee Fees. In accordance with the foregoing, all Intercompany Claims shall be extinguished and shall not be entitled to any distributions under the Plan. All guarantees of any Debtor of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the Consolidated Debtors.

(b) Funding for the Plan. The Plan will be funded from the 9019 Contribution, the proceeds of the Asset Sale, the Exit Financing, all other remaining Assets of the Debtors that are not Purchased Assets, and charitable contributions of third parties specifically designated for such purpose. As set forth above, absent the 9019 Settlement there would be little, if any, funds available for distribution to Creditors in the Chapter 11 Cases. In addition, attached hereto as **Exhibit B** is a list of the Excluded Assets which will be available to Creditors.

(c) Vesting of Assets in the Reorganized Debtors. As of the Effective Date, and except as otherwise provided in the Plan, pursuant to the provisions of Bankruptcy Code Section 1141(b) and (c), all Assets shall vest in the ~~post-Effective Date~~Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges, membership interests and other interests, subject to the terms and conditions of the Plan and the Confirmation Order. Notwithstanding the foregoing or any other provisions of the Plan, the indenture trustee for the holders of the New Hospital Bonds and the holders thereof shall have all rights, liens and claims set forth in and under the New Hospital Bond Documents, the Exit Facility will be secured as specified in the Plan, and all holders of Allowed Claims shall be entitled to the treatment specified in the Plan.

(d) Issuance of New Hospital Bonds; Exemption From Securities Laws. The New Hospital Bonds shall be issued pursuant to and in accordance with the New Hospital Bond Documents on or in connection with the Effective Date. The issuance of the New Hospital Bonds shall be exempt from registration under any federal, state or local law, rule or regulation pursuant to section 1145 of the Bankruptcy Code or other applicable law. Any person who solicits or participates in the offer, issuance, sale or purchase of the New Hospital Bonds issued under, or in accordance with, the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, is not liable, on account of such solicitation or participation, for violation of an applicable law, rule or regulation governing solicitation of acceptance or rejection of the Plan or the offer, issuance, sale or purchase of securities pursuant thereto.

(e) Continuing Existence. From and after the Effective Date, the Reorganized Debtors shall continue in existence for the purposes of (i) winding up their affairs as expeditiously as reasonably possible, (ii) liquidating, by conversion to Cash, or other methods, all remaining Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Reorganized Debtors, including, without limitation, the prosecution of Causes of Action, (iv) resolving disputed Claims, (v) administering the Plan, (vi) filing all final cost reports reflecting the Debtors' operation of the Facility prior to the Closing and (vii) filing appropriate tax returns. All of the foregoing actions shall be taken by the Plan Administrator on behalf of the Reorganized Debtors. Following the Effective Date, the Reorganized Debtors shall not engage in any business activities or take any actions, except those necessary to consummate ~~this~~the Plan and wind up the affairs of the Reorganized Debtors.

(f) Closing of the Chapter 11 Cases. When all disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed, and all Assets have been liquidated and converted into Cash (other than those Assets abandoned), and such Cash has been distributed in accordance with the Plan, or at such earlier time as the Plan Administrator deems appropriate, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Debtors' Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

(g) Corporate Dissolution. Upon the distribution of all Assets pursuant to the Plan and the filing by the Plan Administrator of a certification to that effect with the Court (which may be included in the application for the entry of the final decree), the Reorganized Debtors shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of Reorganized Debtors or payments to be made in connection therewith, *provided, however*, that the Reorganized Debtors may take appropriate action to dissolve under applicable law and provide for the appropriate disposition of any restricted charitable donations consistent with their obligations under the APA. From and after the Effective Date, the Reorganized Debtors shall not be required to file any document, or take any action, to withdraw their business operations from any states where the Reorganized Debtors previously conducted business.

(h) Further Authorization. The Reorganized Debtors or the Plan Administrator shall be entitled to seek such orders, judgments, injunctions and rulings from the Court, in addition to those specifically listed in the Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to the provisions of the Plan. The Court shall retain jurisdiction to enter such orders, judgments, injunctions and rulings.

(i) Causes of Action. Except as otherwise set forth in the Plan, all Causes of Action of the Debtors ~~against third parties~~ shall survive confirmation of the Plan and the commencement and/or prosecution of such Causes of Action by the Plan Administrator or otherwise shall not be barred or limited by *res judicata* or any ~~estopppel~~estoppel, whether judicial, equitable or otherwise. The Plan Administrator shall have the authority to commence and/or prosecute Causes of Action of the Debtors and/or Reorganized Debtors. The Plan Administrator may authorize the Post Effective Date Committee to commence and/or prosecute any Causes of Action of the Debtors and/or Reorganized Debtors and, if so authorized by the Plan Administrator, the Post Effective Date Committee shall have standing to commence and/or prosecute such Causes of Action.

(j) Corporate Action. All matters provided under the Plan involving the corporate structure of the Debtors or corporate action to be taken by or required of the Debtors, shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement or further action by directors of the Debtors.

(k) Agreements, Instruments, and Documents. All organizational agreements, charter documents, instruments, and documents required under the Plan to be executed or implemented, together with such others as may be necessary, useful or appropriate in order to effectuate the Plan shall be executed on or before the Effective Date or as soon thereafter as is practicable

(l) Power and Duties of the Plan Administrator. The Plan Administrator will act for the Debtors in a fiduciary capacity as applicable to a board of directors and shall be responsible for the liquidation of the Debtors' remaining Assets, administration of the Plan and wind-down of the Debtors and their Estates post-Effective Date, subject to the provisions of the Plan. The powers and duties of the Plan Administrator shall include:

(i) to invest Cash in accordance with section 345 of the Bankruptcy Code, and withdraw and make distributions of Cash to holders of Allowed Claims and pay taxes, if any, and other obligations owed by the Reorganized 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, if any, or other obligations incurred in connection with 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) to administer the Post Confirmation Administrative Reserve and all other Assets;

(v) (subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld) to pay the fees and expenses for the attorneys, consultants, agents, employees and professionals engaged by the Plan Administrator and attorneys for the Post Effective Date Committee and to pay all other expenses in connection with administering the Plan and winding down the affairs of the Reorganized Debtors in each case from the Post Confirmation Administrative Reserve, subject to the terms of the Plan;

(vi) to execute and deliver all documents, and take all actions, necessary to consummate the Plan and wind-down the Reorganized Debtors' business, including, without limitation, to comply with any Exit Facility and effectuate the dissolution of the Reorganized Debtors;

(vii) with the consent of the Post Effective Date Committee, to use, sell at public or private sale, assign, transfer, abandon or otherwise dispose of any of the Assets and convert the same to Cash;

(viii) to coordinate and interface with WMC regarding the outstanding Receivables pursuant to the terms of the Services Agreement;

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

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

(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 dissolution of the Reorganized Debtors;

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

(xiv) subject to **Section 8.15** of the Plan, to object to Claims;

(xv) subject to **Section 8.16** of the Plan, to compromise and settle Claims;

(xvi) to act on behalf of the Reorganized Debtors and the Estates in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), then pending or that can be commenced in the Bankruptcy Court and in all actions and proceedings pending or commenced elsewhere, and subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld) or Order of the Bankruptcy Court, to settle, retain, enforce, dispute or adjust any claim or Causes of Action and otherwise pursue actions involving the Assets that could arise or be asserted at any time under the Bankruptcy Code or otherwise, unless otherwise waived or relinquished in the Plan;

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

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

In the event the Plan Administrator and the Post Effective Date Committee as applicable are unable to reach a unanimous consensus respecting any matters which require prior approval or consent of the Post Effective Date Committee, the Plan Administrator or Post Effective Date Committee may bring such matter to the Bankruptcy Court for resolution and the Plan Administrator shall be authorized to act in accordance with any ruling of the Bankruptcy Court. Except as specified in the Plan, the Plan Administrator may, in the ordinary course of business, satisfy any liabilities and expenses incurred by the Plan Administrator in the ordinary course of business without further notice, hearing or approval of the Bankruptcy Court.

(m) Appointment of the Plan Administrator. The initial Plan Administrator will be ~~identified in the initial supplement to the Plan~~Chad J. Shandler. The Plan Administrator shall be deemed the Estates' representative in accordance with section 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified in the Plan, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code.

(n) Employment of Professionals. Subject to the approval of the Post Effective Date Committee (which approval shall not be unreasonably withheld), the Plan Administrator is authorized, without further order of the Bankruptcy Court, to employ such Persons, including professionals, as the Plan Administrator may deem necessary to enable it to

perform its functions under the Plan. Such Persons shall be compensated and reimbursed for their reasonable and necessary fees and out-of-pocket expenses on a monthly basis from the Debtors' Estates from the Post Confirmation Administrative Reserve. The Plan Administrator and Persons employed by the Plan Administrator shall submit invoices to the Post Effective Date Committee, and if no objection to such invoices is received within ten (10) days of service, the Plan Administrator may pay such invoice without the need for Bankruptcy Court approval. If a timely objection is received the Plan Administrator may pay the undisputed portion of such invoice, may pay the disputed portion of such invoice upon resolution, and any unresolved dispute shall be resolved by the Bankruptcy Court.

(o) No Agency Relationship. The Plan Administrator shall not be deemed to be the agent of any of the holders of Claims in connection with the funds held or distributed pursuant to the Plan. The Plan Administrator shall not be liable for any mistake of fact or law or error in judgment or any act or omission of any kind unless it constitutes gross negligence or willful misconduct or breach of fiduciary duty on the part of the Plan Administrator. The Plan Administrator shall be indemnified and held harmless, including the cost of defending such claims and attorneys' fees in seeking indemnification, by the Estates against any and all claims arising out of his duties under the Plan, except to the extent his actions constituted gross negligence or willful misconduct or breach of fiduciary duty. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon any statement, instrument, opinion, report, notice, request, consent, order, or other instrument or document which he believes to be genuine and to have been signed or presented by the proper party or parties. The Plan Administrator may rely upon information previously generated by the Debtors and such additional information provided to him by former employees of the Debtors.

(p) Plan Administrator's Bond. The Plan Administrator shall obtain and maintain a bond in an amount equal to 110% of the Cash held by the Reorganized Debtors and the Estates as of the Effective Date and thereafter.

(q) Reporting. Until a final decree closing the Chapter 11 Cases is entered, the Plan Administrator shall comply with any requisite reporting requirements established pursuant to the guidelines of the U.S Trustee. The Plan Administrator shall also provide to the Post Effective Date Committee quarterly reports regarding the wind-down of the estate which shall include, without limitation, a balance sheet, a statement of income and expenses, and update regarding ongoing liquidation and wind-down of the Reorganized Debtors' Assets. The Plan Administrator shall be available for telephone consultation with the Post Effective Date Committee as reasonably requested, and shall provide such other reports and information as the Post Effective Date Committee may reasonably request from time to time.

(r) Resignation, Death or Removal of Plan Administrator. The Plan Administrator may resign at any time upon not less than thirty (30) days' written notice to the Post Effective Date Committee. The Plan Administrator may be removed at any time by the Post Effective Date Committee for cause upon proper application to, and Final Order of, the Bankruptcy Court. In the event of the resignation, removal, death or incapacity of the Plan Administrator or any other vacancy in the position of Plan Administrator, the Post Effective Date Committee may nominate a successor Plan Administrator and the appointment will be

determined by the Bankruptcy Court. No successor Plan Administrator shall in any event have any liability or responsibility for the acts or omissions of his or her predecessors.

C. Post Effective Date Committee. Pursuant to the Plan, on the Effective Date, the Committee will continue as the Post Effective Date Committee (the "Post Effective Date Committee") until such time as all distributions on account of all Allowed Unsecured Claims have been completed~~ or reserved for in accordance with the Plan; at that~~, at which time the Post Effective Date Committee will be dissolved and all requirements in the Plan respecting the approval of or consultation with the Post Effective Date Committee will be terminated. The Post Effective Date Committee will be comprised of the members of the Committee, unless any particular member of the Committee opts not to be a member of the Post Effective Date Committee. The Committee is currently a defendant in an adversary proceeding commenced by the Debtors (Adversary Proceeding No. 14-09007). After the Effective Date, the Post Effective Date Committee shall have standing and authority to continue the defense and prosecution of the Committee's position as a defendant in Adversary Proceeding No. 14-09007.

D. Post Effective Date Fees and Expenses. From and after the Effective Date, the Reorganized Debtors and their Estates shall be responsible for the payment of all reasonable and necessary fees and expenses of professionals retained by the Post Effective Date Committee ~~and the Bond Trustee~~ from the Post Confirmation Administrative Reserve~~ and subject to the Wind Down Budget.~~. The Post Effective Date ~~Committee or Bond Trustee or their representatives, as applicable~~Committee's professionals shall submit invoices to the ~~Post Effective Date Committee (in the case of the Bond Trustee), the Bond Trustee (in the case of the Post Effective Date Committee) and~~ Plan Administrator~~ (in the case of either the Bond Trustee or Post Effective Date Committee),~~ and if no objection to such invoices are received within ten (10) days of service, the Plan Administrator may pay such invoice without the need for Bankruptcy Court approval. If a timely objection is received the Plan Administrator may pay the undisputed portion of such invoice, may pay the disputed portion of such invoice upon resolution, and any unresolved dispute shall be resolved by the Bankruptcy Court.

E. Distributions to Holders of Claims.

1. No Distributions on Account of Claims That Have Not Become Allowed Claims. Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Claim that has not become an Allowed Claim, except that the Plan Administrator may distribute consideration attributable to any undisputed portion of a Claim and withhold the remainder.

2. Reserves for Claims That Have Not Become Allowed Claims. Distributions on account of Claims that have not become Allowed Claims shall be governed by the following provisions:

Except as otherwise provided under the Plan, the ~~Reorganized Debtors~~Plan Administrator shall not be required to withhold funds or consideration, designate reserves, or make other provisions for the payment of any Claims that have been disallowed by a Final Order of the Bankruptcy Court.

Except as otherwise provided in the Plan, the ~~Reorganized Debtors, or the~~ Plan Administrator~~, as applicable~~, shall be required to reserve funds, designate reserves, or make other provisions for the payment of any Claims that have been disallowed by an order of the Bankruptcy Court until such order becomes a Final Order.

With respect to Claims that have not become Allowed Claims and that are not governed by subparagraph (1) or subparagraph (2) above, the Plan Administrator~~, as applicable,~~ shall reserve sufficient funds to allow for a distribution in accordance with the terms of the Plan, on account of the distribution attributable to such holders' Claims or as otherwise provided pursuant to any order of the Bankruptcy Court with respect to the amount, if any, to be reserved; provided, however, that the Plan Administrator, as applicable, shall distribute consideration attributable to any undisputed portion and shall withhold and reserve the remainder. The Bankruptcy Court may, after notice and a hearing (as defined in Bankruptcy Code section 102), fix a lesser amount than the distribution amount as the amount on account of which consideration shall be withheld. In the case of Claims not stating an amount, the Plan Administrator, or any holder of such Claims may request that the Bankruptcy Court, after notice and a hearing (as defined in Bankruptcy Code section 102), determine an amount. Cash withheld pursuant to this subparagraph will be held in a segregated, interest-bearing fund or funds. Such Cash will be released when and if Claims are Allowed and disallowed and shall be distributed in accordance with the Plan.

3. Persons Responsible for Distribution of Plan Consideration. The Plan Administrator shall disburse all consideration to be distributed under the Plan and shall act as a disbursing agent. For the avoidance of doubt, with respect to any distribution constituting New Hospital Bonds, such bonds shall be exchanged through DTC, to the holders of Existing Bonds of record as of the Distribution Record Date and all other distributions under the Plan relating to the Existing Bonds shall be made to the Bond Trustee.

4. Unclaimed Cash. If any Person entitled to receive Cash under the Plan cannot be located on the date a distribution under the Plan is due, such Cash will be set aside and held in a segregated fund to be maintained by the Plan Administrator. If such Person is located within one hundred and twenty (120) days of the date of distribution, such Cash will be paid to such Person. If such Person cannot be located within one hundred and twenty (120) days of the date of distribution, any such Cash and accrued interest thereon shall be released to the Plan Administrator and distributed in accordance with the Plan and such Person shall not be entitled to any amounts in connection with such distribution or any subsequent distribution and the Claims of such person to which such Cash relates shall be discharged and forever barred from assertion against the Reorganized Debtors and their property or the Plan Administrator. Nothing contained in the Plan shall require the Plan Administrator to attempt to locate such Person. It is the obligation of each Person claiming rights under the Plan to keep the Plan Administrator advised of their current address by sending written notice of any changes to the Plan Administrator.

5. Unnegotiated Distribution Checks. Checks or drafts issued pursuant to the Plan to Persons holding Allowed Claims and not presented for payment within one hundred and twenty (120) days following mailing thereof to the last known address of such Person shall be deemed nonnegotiable thereafter. Any Claim in respect of such distribution shall be discharged

and forever barred from assertion against the Reorganized Debtors and their property or the Plan Administrator.

6. Fractional Dollars. Any other provision of the Plan notwithstanding, no payments of fractional dollars will be made to any holder of an Allowed Claim. Whenever any payment of a fraction of a dollar to any holder of an Allowed Claim would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest whole dollar (up or down).

7. Distribution Dates. Whenever any distribution to be made under the Plan is due on a day other than a Business Day, such distribution will instead be made, without penalty or interest, on the next Business Day.

8. Bankruptcy Code Sections 509, and 510. Distributions under the Plan will be governed by the provisions of Bankruptcy Code sections 509 or 510 where applicable.

9. Distributions to be Applied First to Administrative and Priority Claims. To the extent any holder of an Allowed Claim receives any distribution(s) under the Plan by the Plan Administrator on account of such Claims, said distribution(s) shall be applied by the recipient first to satisfy any Allowed Administrative Claims, Allowed Priority Tax Claims, or other Allowed Claims of the recipient against the Debtors which are entitled to priority under Bankruptcy Code sections 503 or 507 and, only after all such priority Claims are fully satisfied, to any Allowed Claims not entitled to such priority.

10. Estimation of Claims. The Plan Administrator may, at any time, request that the Bankruptcy Court (or District Court, as applicable) estimate any Claim not expressly Allowed by the terms of the Plan and otherwise subject to estimation under section 502(c) of the Bankruptcy Code and for which the Debtors may be liable under the Plan, including any Claim for taxes, to the extent permitted by section 502(c) of the Bankruptcy Code, regardless of whether any party-in-interest previously objected to such Claim. In the event that the Bankruptcy Court (or District Court, as applicable) estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court (or District Court, as applicable). If the estimated amount constitutes a maximum limitation on such Claim, the Plan Administrator may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated by the Bankruptcy Court (or District Court, as applicable) and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court (or District Court, as applicable).

11. Chapter 5 Provisions. No distribution or payment shall be made to any holder of an Allowed Claim who is also a potential defendant in an avoidance action under Chapter 5 of the Bankruptcy Code until a decision is made by the Plan Administrator not to commence the potential avoidance action, or, in the event the potential avoidance action is commenced by the Plan Administrator, until resolution of such avoidance action. Notwithstanding the foregoing, the making of a distribution to such potential defendant or the

lack of any objection filed to such Allowed Claim on the basis of such potential avoidance action, shall not constitute a waiver of any rights of the ~~Debtor~~Debtors or the Plan Administrator, as the case may be. For purposes of the Plan, such distribution or payment on account of such Allowed Claim shall be held in reserve as if it were a disputed Claim. For the avoidance of doubt, the foregoing terms shall not apply to the Bond Claim.

12. Third-Party Agreements. Except as set forth ~~herein~~in the Plan, all subordination agreements entered into by any parties-in-interest shall be enforceable to the extent permitted by applicable law.

13. Orders Respecting Claims Distribution. After confirmation of the Plan, the Bankruptcy Court shall retain jurisdiction to enter orders in aid of consummation of the Plan with respect to distributions under the Plan and to resolve any disputes concerning distributions under the Plan.

14. Special Provisions for Treatment of Medical Malpractice/Personal Injury/Worker's Compensation Claims.

(a) Distributions under the Plan to each holder of a Claim asserted or which can be asserted against any of the Debtors on account of or related to purported liability resulting either from the provision of medical services, including personal injury or wrongful death claims, or any other personal injury or worker's compensation claim, shall be in accordance with the treatment provided under the Plan for Unsecured Claims as applicable; provided, however, no distributions shall be made, and no reserve shall be made by the ~~Debtors~~Plan Administrator for any amount, for or attributable to any portion of such a Claim that is covered by insurance.

(b) Nothing in **Section 8.14** of the Plan is intended to, shall, or shall be deemed to preclude any holder of a Claim of the type described in **Section 8.14** from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors.

(c) The Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted in any proof of claim or the Debtors rights and defenses to such proofs of claim.

15. Objections to Claims. ~~The Plan Administrator may object to the allowance of any Claim on or after the Effective Date of the Plan, *provided, however*, the Plan Administrator may not object to any Claim once it becomes an Allowed Claim.~~ As soon as practicable, but in no event later than one hundred and eighty (180) days after the Effective Date, the Plan Administrator may object to the allowance of ~~such Claims.~~any Claim ***provided, however,*** the Plan Administrator may not object to any Claim once it becomes an Allowed Claim. The foregoing deadline may be extended by the Bankruptcy Court upon request of the Plan Administrator upon notice to the Post Effective Date Committee, and such other parties as shall request such notice after the confirmation of the Plan. Nothing contained herein, however,

shall limit the right of the Plan Administrator to object to Claims, if any, filed or amended after the Effective Date.

16. Settlement of Disputed Claims.

(i) Pursuant to Bankruptcy Rule 9019(b), subject to **Section 8.16(b)** of the Plan, the Plan Administrator may settle any disputed Claim, respectively, without notice, or Bankruptcy Court approval.

(ii) The Plan Administrator shall give notice to the Post Effective Date Committee of a settlement of (i) any disputed Administrative Claim, Priority Tax Claim, Secured Claim, or Unsecured Priority Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Claim being Allowed in an amount in excess of $25,000, and (ii) any disputed Unsecured Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Claim being allowed in an amount in excess of $200,000. 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. 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 further notice or Court approval. If a written objection is timely received, the Plan Administrator and ~~any~~the Post Effective Date Committee shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and ~~any~~the Post Effective Date Committee may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice. Alternatively, the Plan Administrator may seek Court approval of the proposed settlement upon expedited notice and a hearing.

17. Setoffs. The Plan Administrator may, pursuant to and in accordance with Bankruptcy Code section 553 or applicable nonbankruptcy law, except as otherwise set forth in the Plan, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim, the claims, rights and causes of action of any nature that the Debtors may hold against the holder of such Allowed Claim, provided that the Plan Administrator gives the holder of such Allowed Claim notice of the proposed setoff and the holder of such Allowed Claim does not object to the proposed setoff within thirty (30) days; provided further, however, if the holder of such Allowed Claim timely objects to the proposed setoff, the setoff may not be effectuated without prior approval of the Bankruptcy Court; provided further, however, that neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtors or Plan Administrator of any such claims, rights and causes of action that the Debtors may possess against such holder.

18. Distribution Cap**.** Except to the extent consistent with the treatment set forth in the Plan, no holder of an Allowed Claim shall receive in respect of that Claim any distribution in excess of the Allowed amount of that Claim.

19. De Minimus Distributions. Notwithstanding anything to the contrary contained herein or in the Plan, if the amount of Cash to be distributed to the holder of an Allowed Claim is less than $20, the Plan Administrator may hold the Cash Distributions to be made to such holder until the aggregate amount of Cash to be distributed to such holder is in an amount equal to or greater than $20, if the Plan Administrator determines that the cost to distribute such Cash is unreasonable in relation to the amount of Cash to be distributed. Notwithstanding the preceding sentence, if the amount of Cash Distribution to such holder never aggregates to more than $20, then on the final Distribution Date, the Plan Administrator shall distribute such Cash to the holder entitled thereto.

20. Withholding Taxes. In connection with the Plan, to the extent applicable, the Plan Administrator shall comply with all withholding and reporting requirements imposed on it by federal, state and local taxing authorities, and all distributions shall be subject to such withholding and reporting requirements. All Claims held by any holder of a Claim that fails to provide information reasonably requested by the Plan Administration in connection with such matters shall be discharged and forever barred from assertion against the Reorganized Debtors or their property.

21. Distribution Record Date**.** Except as otherwise provided in a Final Order of the Bankruptcy Court or as otherwise stipulated by the Debtor or Reorganized Debtor, as applicable, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the Holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Distribution Record Date. The Reorganized Debtors shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Record Date. In making any distribution with respect to any Claim, the Reorganized Debtor shall be entitled instead to recognize and deal with, for all purposes, only the Entity that is listed on the Proof of Claim Filed with respect thereto or on the Schedules as the Holder thereof as of the close of business on the Distribution Record Date and upon such other evidence or record of transfer or assignment that are known to the Reorganized Debtor as applicable, as of the Distribution Record Date. Except as expressly set forth in the Plan, the foregoing shall not apply to the Bond Claim.

V. EFFECT OF THE PLAN ON CLAIMS, INTERESTS AND CAUSES OF ACTION

A. Satisfaction of Claims**.** Holders of Claims shall receive the distributions provided for in the Plan, if any, in full settlement and satisfaction of the Debtors' obligations thereunder, and any interest accrued thereon.

B. Interest on Claims. Except as specifically provided for in the Plan or the Confirmation Order, interest shall not accrue on Claims and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

C. **Releases by the Debtors. Pursuant to section 1123(b) of the Bankruptcy Code and except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by**

the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtor(s) and the Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtor(s), the Estates or their affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Existing Bonds, the ~~Debtors'~~ Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the ~~Debtors'~~ Chapter 11 Cases, the negotiation, formulation or preparation of the Asset Sale, the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents (collectively, the "Debtor Released Claims").

D. **Releases by Holders of Claims. . As of the Effective Date and except as set forth in the Plan, each holder of a Claim or Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Person would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Existing Bonds, the Debtors' restructuring, the Debtors' Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Asset Sale, the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents (collectively, "Released Claims"), other than Released Claims against a ~~Debtor, the Reorganized Debtor(s), or a~~ Released Party arising out of or relating to any act or omission of that Released Party constituting willful misconduct, criminal conduct, or gross negligence. No provision of the Plan, including without limitation, any release or exculpation provision, shall modify, release, or otherwise limit the liability of any Person other than the Released Parties and the Exculpated Parties, including without limitation, any Person that is a co-obligor, guarantor or joint tortfeasor of a Released Party or Exculpated Party or that otherwise is liable under theories of vicarious or other derivative liability and notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond documents.**

Under applicable law, non-debtor releases are appropriate when, among other things: (i) the estate has received substantial consideration, (ii) the released claims would indirectly impact the reorganization by giving rise to claims of indemnification or contribution, (iii) the plan otherwise provides for the full payment of the released claims, or (iv) the affected creditors consent. *See, e.g.*, *In re Metromedia Fiber Network, Inc.*, 416 F.3d 136 (2d Cir. 2005).

In considering these factors, the Released Parties have provided substantial consideration to the Debtors' estates, including but not limited to, (i) the entry into the 9019 Settlement which avoided protracted litigation and extensive costs to the Debtors' estate, (ii) the provision of the 9019 Contribution by the holders of the Existing Bonds which provided for the necessary funds to confirm the Plan, (iii) the Purchaser's acquisition of the Purchased Assets, (iv) the Purchaser's carve-out of the Excluded Assets which will be remnant assets of the estates, and (v) the Purchaser's provision of the Exit Facility in order to fund the Plan and the wind down of the Debtors' estates. In addition, the releases provided to the Bond Trustee and the holders of the Existing Bonds are consistent with, and are an essential part, of the terms and conditions of the 9019 Settlement.

Further, to the extent a party votes to accept the Plan, such party shall have the option to "opt out" of the releases provided for in Section 10.4 of the Plan. To the extent a holder of a Claim votes to accept the Plan, and did not otherwise opt out, such holder of a Claim shall be bound by the release in Section 10.4 of the Plan. To the extent a holder of a Claim or Interest either (i) votes to reject the Plan, (ii) did not vote on the Plan or (iii) votes to accept this Plan but opted out, such holder of a Claim or Interest shall not be bound by the release in Section 10.4 of the Plan unless such holder of a Claim or Interest specifically opted to accept the release in Section 10.4 of the Plan.

In this case, it is the Debtors' belief that the foregoing releases are appropriate under and consistent with applicable law. The Bankruptcy Court will determine the issue of whether the releases are appropriate at the Confirmation Hearing.

E. **Exculpation. Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim, obligation, cause of action or liability for any Exculpated Claim, except for gross negligence ~~or willful misconduct~~, willful misconduct, criminal conduct, breaches of fiduciary duties, or failure to fully comply with Rule 1.8(h)(1) of the New York Rules of Professional Conduct, but in all respects such Persons shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtors and each Exculpated Party (and each of their respective affiliates, agents, directors, members, officers, employees, advisors and attorneys) have, and upon Confirmation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and applicable non-bankruptcy law with regard to the solicitation and distribution of securities pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.**

F. **Injunction. Except as otherwise provided in the Plan or Confirmation Order, as of the Effective Date all Persons that hold a Claim are permanently enjoined from taking any of the following actions against the Released Parties or any of their respective successors or assigns, or any of their respective assets or properties, on account of any Claim: (1) commencing or continuing in any manner any action or other proceeding with respect to a Claim ~~against the Released Parties~~; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a Claim ~~against the Released Parties~~; (3) creating, perfecting or enforcing any lien or encumbrance with respect to a Claim ~~against the Released Parties~~; or (4) commencing or continuing any action that does not comply with or is inconsistent with the Plan; provided, however, nothing in this injunction shall preclude the holder of a Claim from pursing any available insurance after the Chapter 11 Cases are closed or from seeking discovery in actions against third parties; and provided further that and notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.**

G. No Recourse. Notwithstanding that the Allowed amount of any particular Claim is reconsidered under the applicable provisions of the Bankruptcy Code and Bankruptcy Rules or is Allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse against the Debtors, the Estates, the Plan Administrator, the Released Parties or any of their respective professionals, consultants, officers, directors or members or their successors or assigns, or any of their respective property. However, except as specifically stated otherwise in the Plan, nothing in the Plan shall modify any right of a holder of a Claim under section 502(j) of the Bankruptcy Code.

H. Abandoned Property. Any and all property whose abandonment is or has been approved by the Bankruptcy Court pursuant to the Bankruptcy Code shall remain abandoned forever; shall not thereafter be deemed to be property of the Debtors or the Plan Administrator; shall not at any time re-vest in the Debtors, and shall not otherwise, whether by conveyance or otherwise, ever become the property of the Debtors or their Estates.

I. Post-Effective Date Effect of Evidences of Claims. Notes, shareholder certificates, and other evidences of liens or Claims against the Debtors shall, effective upon the Effective Date, represent only the right to participate in the distributions or rights, if any, contemplated by the Plan.

J. Surrender of Instruments and Release of Liens. Except as otherwise provided in the Plan or the Confirmation Order, each holder of an instrument evidencing a Claim against the Debtors or any of the property of the Debtors shall surrender such instrument to the Debtors or Plan Administrator, as applicable, and the Debtors or Plan Administrator shall distribute to the holder thereof the distributions provided for in the Plan. No distribution under the Plan shall be made to or on behalf of any holder of such Claim unless and until such instrument is received or the non-availability of such instrument is established to the satisfaction of the Debtors or Plan Administrator. Each Person who is to receive distributions under the Plan in complete

satisfaction of a Secured Claim shall not receive such distributions until such Creditor executes the release of its liens (in recordable form if requested by the Plan Administrator) and delivers the release to the Plan Administrator. Any such Person who fails to surrender such instrument or satisfactorily explain its non-availability or execute and deliver such release of liens within ten (10) days of the date such surrender, explanation, execution, or delivery as requested by the Plan Administrator shall be deemed to have no further Claim against the Debtors or property of the Debtors, shall not participate in any distribution under the Plan, and in such event upon motion of the Debtors and/or the Plan Administrator accompanied by appropriate evidence of such failure by affidavit or otherwise, the Bankruptcy Court may enter an order requiring the act to be done at the cost of such Person by the Debtors and providing that such act when so done shall have like effect as if done by such Person or any other appropriate order. Notwithstanding the foregoing, the release and surrender provisions set forth in **Section 10.10** of the Plan shall not apply to the Bond Trustee for or the beneficial owners of the Existing Bonds.

K. Cancellation of Instruments**.** Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Existing Bonds shall be cancelled, and the Existing Bonds and related Bond Documents shall continue in effect solely to the extent they relate to and are necessary to (i) allow applicable distributions pursuant to the Plan, (ii) permit the Bond Trustee to be compensated for fees and reimbursed for expenses including expenses of its professionals, assert its charging lien, enforce its indemnity and other rights and protections with respect to and pursuant to the Bond Documents, (iii) permit the Bond Trustee to set one or more record dates and distributions dates with respect to the distribution of funds to beneficial holders of the Existing Bonds, as applicable, (iv) permit the Bond Trustee to appear in the Chapter 11 Cases, and (v) permit the Bond Trustee to perform any functions that are necessary in connection with the foregoing clauses (i) through (iv).

L. **Term of Stays. Except as otherwise provided in the Plan, all injunctions and the stay provided for in the Debtors' Chapter 11 Cases pursuant to Bankruptcy Code section 362, shall remain in full force and effect until the Reorganized Debtors' Chapter 11 Cases are closed.**

Except as otherwise provided in the Plan, upon entry of the Confirmation Order, all Persons or entities who have held, hold, or may hold Claims or membership or other Interests in the Debtors are permanently enjoined, on and after the Effective Date, with respect to all Claims and membership and other Interests in the Debtors from (a) commencing, conducting or continuing in any manner, directly or indirectly, any proceeding of any kind against or affecting the Debtors, the Released Parties, the Plan Administrator, or their property, (b) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any means or manner, whether directly or indirectly, any judgment, award, decree, or order against the Debtors, the Released Parties, the Plan Administrator, or their property, (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Released Parties, the Plan Administrator, or their property, (d) asserting any right of setoff, directly or indirectly, against any obligation due the Debtors, the Released Parties, the Plan Administrator, or their property, except as contemplated or allowed by the Plan, the Bankruptcy Code, or applicable law, (e) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply

with the provisions of the Plan, (f) commencing, continuing or asserting in any manner any action or other proceeding of any kind with respect to any Claims and causes of action which are extinguished or released pursuant to the Plan, and (g) taking any action to interfere with the implementation and consummation of the Plan. Notwithstanding the foregoing, nothing contained herein shall be deemed to modify, release, enjoin or otherwise limit the respective rights, liens and claims of the indenture trustee for the holders of the New Hospital Bonds and the holders thereof as set forth in and under the New Hospital Bond Documents.

VI. EXECUTORY CONTRACTS

A. Assumption of Transferred Contracts. Pursuant to the Sale Order and the APA, the Assigned Contracts shall be assumed and assigned pursuant to Bankruptcy Code Section 365 as of the Asset Sale Closing Date.

B. Rejection of Excluded Contracts. Except as otherwise set forth in ~~this~~the Plan each contract of the Debtors that is not an Assigned Contract that has not expired by its own terms before the Asset Sale Closing Date shall be rejected as of the Asset Sale Closing Date. As of the Asset Sale Closing Date, except as otherwise set forth in the APA, all employment, severance, retirement, indemnification, employee benefit, profit-sharing and related plans or agreements, whether or not qualified under ERISA, health care plans, disability plans and incentive plans, that were in effect on the Petition Date and that have not previously been terminated or superseded shall be terminated and deemed rejected. Except as otherwise set forth in the APA, all employees currently employed by the Debtors under such agreements as of the Asset Sale Closing Date shall be terminated thereon.

C. Rejection Damages. Any Claim for damages arising from the rejection of any executory contract or unexpired lease under ~~this~~the Plan must be filed with the Court and served upon the Debtors within forty five (45) days after the Asset Sale Closing Date or such other deadline established by the Court. Any Claim arising from the rejection of an executory contract or unexpired lease not filed within such time will be forever barred from receiving any distribution under ~~this~~the Plan or asserting any Claims against the Debtors, the Estates or the Plan Administrator.

D. Insurance Contracts. The Debtors do not believe that any insurance policies issued to, or insurance agreements entered into prior to the Petition Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything contained in ~~this~~the Plan to the contrary, the Plan will constitute a motion to assume such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order will constitute approval of such assumption, pursuant to § 365(a) of the Bankruptcy Code. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy or agreement.

E. Retiree Health Insurance Benefits. Pursuant to Section 7.5 the Plan, to the extent not previously terminated by the Debtors, as of the Effective Date, the Retiree

Health Insurance Benefits shall be terminated and no further payments shall be made under such Retiree Health Insurance Benefits to any participants. Under the Debtors' current existing Retiree Health Insurance Benefit plan, the Debtors have "the right to modify the Retiree benefit program, as it deems necessary." Moreover, the existing Retiree Health Insurance Benefit plan does not guarantee payment of coverage for any set period or time. Section 1114 of the Bankruptcy Code does not limit a debtor's ability to terminate benefits during a bankruptcy when it reserved the right to do so in the applicable plan documents. See In re Delphi Corp., No. 05-44481, 2009 WL 637259, at *2 (S.D.N.Y. Mar. 10, 2009). Here, the Debtors reserved the right to modify, which includes the right to terminate, its Retiree Health Insurance Benefits plan unilaterally. As of the Petition Date, there were approximately 93 participants in the Retiree Health Insurance Benefits plan which cost the Debtors less than $40,000 per year. In January 2014, the Debtors sent a notice to all of the participants, consistent with its rights under their Retiree Health Insurance Benefits plan notifying participants that, the program "ceased effective as of the Petition Date." Although the Debtors received inquiries regarding this notice, no participants formally objected to the cessation of benefits. In order to facilitate the orderly and timely liquidation of the Debtors' estates, and in an abundance of caution, the Debtors have determined that it is necessary to memorialize the termination of the Retiree Health Insurance Benefits in the Plan. .

VII. CONDITIONS TO CONFIRMATION AND OCCURRENCE OF EFFECTIVE DATE

A. Conditions to Confirmation. Confirmation of the Plan shall not occur and the Bankruptcy Court shall not enter the Confirmation Order unless (i) all of the requirements of the Bankruptcy Code for Confirmation of the Plan with respect to the Debtors shall have been satisfied and receipt of approval of the waiver of transfer taxes in connection with the Asset Sale under section 1146(a) of the Bankruptcy Code is obtained from the Bankruptcy Court; (ii) the Bankruptcy Court shall have entered the Sale Order; and (iii) the Plan Documents, including the New Hospital Bond Documents, shall be in form and substance satisfactory to the Debtors, Purchaser and the Bond Trustee; and (iv) the documents relating to the Exit Facility and any other documents that relate to the outstanding Receivables shall be acceptable to WMC in its sole and absolute discretion. If Confirmation shall not occur, the Plan shall be null and void and shall have no force nor effect, and the Plan shall be deemed withdrawn unless the Bankruptcy Court shall have entered all orders (which may be orders included within the Confirmation Order) required to implement the Plan.

B. Waiver and Nonfulfillment of Conditions to Confirmation. In the event that the Debtors determine that the conditions to confirmation which they may waive cannot be satisfied and should not, in their sole discretion, be waived, the Debtors may propose a new plan, may modify the Plan as permitted by law, or may request other appropriate relief. The Debtors cannot waive that condition specified in **Section 9.1(iii)** without the written consent of the Bond Trustee.

C. Confirmation Order Provisions for Pre-Effective Date Actions. The Confirmation Order shall empower and authorize the Debtors to take or cause to be taken, prior to the Effective Date, all actions which are necessary to enable it to implement the provisions of the Plan and satisfy all other conditions precedent to the effectiveness of the Plan.

D. Conditions to Effective Date. The Effective Date shall not occur unless: (a) the Bankruptcy Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to the Debtors, WMC, the Bond Trustee and the Committee; (b) the Plan Documents, including the New Hospital Bond Documents, shall be in form and substance satisfactory to the Debtors, the Bond Trustee and Purchaser; (c) the documents relating to the Exit Facility and any other documents that relate to the outstanding Receivables shall be acceptable to WMC in its sole and absolute discretion; (d) no request for revocation of the Confirmation Order under Bankruptcy Code section 1144 shall have been made and still be pending; ~~and~~ (e) all conditions precedent to the issuance of the New Hospital Bonds shall have been satisfied or waived, including the requirements that nationally recognized bond counsel is prepared to issue an opinion acceptable to the Bond Trustee that interest income from the New Hospital Bonds will be exempt from federal income taxation; and (f) the Asset Sale Closing Date shall have occurred.

E. Nonfulfillment of Conditions to Effective Date. In the event that the Debtors determine that the conditions to the Effective Date set forth in the immediately foregoing paragraph of the Plan cannot be satisfied, or if the Effective Date does not occur on or before May 9, 2014, the Plan shall be null and void and shall have no force nor effect, and the Plan shall be deemed withdrawn. Under the foregoing conditions, (i) the 9019 Settlement shall be deemed withdrawn and of no force or effect absent the written consent of the Bond Trustee, and (ii) the Debtors may propose a new plan, may modify the Plan as permitted by law, or may request other appropriate relief. The Debtors shall not waive the conditions specified in (A) **Section 9.4** or the deadline for the occurrence of the Effective Date specified in **Section 9.5** without the prior written consent of the Bond Trustee; and (B) **Sections 9.4(a),(c),or (d)** or the deadline for the occurrence of the Effective Date specified in **Section 9.5** without the prior written consent of the Committee.

F. Effective Date Events. On the Effective Date, the following actions shall have taken place: (a) all payments to be made on the Effective Date and all other actions to be taken on or before the Effective Date pursuant to the Plan by the Reorganized Debtors shall be made or taken or duly provided for; (b) any documents, including orders or agreements, necessary to implement the Plan as of the Effective Date must be executed; and (c) all other events and actions specified in the Plan to occur on the Effective Date. Within seven (7) days of the occurrence of the Effective Date, the Plan Administrator or Reorganized Debtors shall file a notice of occurrence of the Effective Date with the Bankruptcy Court.

VIII. CONFIRMABILITY AND SEVERABILITY OF A PLAN AND CRAMDOWN

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) is accepted by all Classes of Claims and Interests or, if rejected by an impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (ii) is feasible and (iii) is in the "best interests" of holders of Claims and Interests impaired under the Plan.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all classes. These so-called "cramdown" provisions are set forth in section

1129(b) of the Bankruptcy Code, which provides that a plan can be confirmed even if it has not been accepted by all impaired classes of claims and equity interests as long as at least one impaired class of non-insider claims has voted to accept the plan and the plan "does not discriminate unfairly" and is "fair and equitable" with respect to each class of impaired claims and interests.

1. Confirmability and Severability of a Plan. Subject to **Sections 11.2 and 11.3** of the Plan, the Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan. If the Debtors revoke or withdraw the Plan then nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors, or to prejudice in any manner the rights of the Debtors or any persons in any further proceedings involving the Debtors. A determination by the Bankruptcy Court that the Plan is not confirmable pursuant to section 1129 of the Bankruptcy Code shall not limit or affect the Debtors' ability to modify the Plan to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code. Each provision of the Plan shall be considered separable and, if for any reason any provision or provisions therein are determined to be invalid and contrary to any existing or future law, the balance of the Plan shall be given effect without relation to the invalid provision.

2. Cramdown. The Debtors shall have the right to request the Bankruptcy Court to confirm the Plan in accordance with section 1129(b) of the Bankruptcy.

IX. ADMINISTRATIVE PROVISIONS

1. Retention of Jurisdiction. Notwithstanding entry of the Confirmation Order or the Effective Date having occurred, the Bankruptcy Court will retain jurisdiction to the fullest extent permitted by law, including jurisdiction to enter any orders or to take any action specified in the Plan, and including, without limitation, the following:

(i) To determine any motion, adversary proceeding, avoidance action, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;

(ii) To hear and determine applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom;

(iii) To ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;

(iv) To hear and determine objections to the allowance of Claims, whether filed, asserted or made before or after the Effective Date, including, without limitation, to hear and determine objections to the classification of Claims and the allowance or disallowance of disputed Claims, in whole or in part;

(v) To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim;

(vi) To enter, implement, or enforce such Orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(vii) To issue injunctions, enter and implement other Orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order or any other Order of the Bankruptcy Court;

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

(ix) To hear and determine all Fee Claims;

(x) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the Sale Order or any transactions or payments contemplated hereby or thereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(xi) To take any action and issue such Orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan, including any release or injunction provisions set forth herein or in the Plan, or to maintain the integrity of the Plan following consummation;

(xii) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(xiii) To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146;

(xiv) To enter a final decree closing the Reorganized Debtors' Chapter 11 Cases;

(xv) To recover all Assets of the Debtors and property of the Estates, wherever located; and

(xvi) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code, title 28 of the United States Code and other applicable law.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Cases, including with respect to the matters set forth above, the foregoing terms shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

2. Governing Law. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflicts of

laws, shall govern the rights, obligations, construction, and implementation of the Plan transactions consummated or to be consummated in connection therewith.

3. No Admissions. Notwithstanding anything herein or in the Plan to the contrary, nothing contained in the Plan or in this Disclosure Statement shall be deemed as an admission by any Person with respect to any matter set forth herein.

4. Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date. Any statutory fees accruing after the Confirmation Date shall be paid in accordance with the Plan.

5. Amendments.

(a) Pre-confirmation Amendment. With the consent of the Committee, Bond Trustee and Purchaser, the Debtors may modify the Plan at any time prior to the entry of the Confirmation Order provided that the Plan, as modified, and the Disclosure Statement pertaining thereto meet applicable Bankruptcy Code requirements of section 1125 of the Bankruptcy Code, among others.

(b) Post-confirmation Amendment Not Requiring Resolicitation. After the entry of the Confirmation Order, and with the consent of the Committee, the Bond Trustee and Purchaser, the Debtors may modify the Plan to remedy any defect or omission or to reconcile any inconsistencies in the Plan or in the Confirmation Order, as may be necessary to carry out the purposes and effects of the Plan, provided that: (i) the Debtors obtain approval of the Bankruptcy Court for such modification, after notice and a hearing; and (ii) such modification shall not materially and adversely affect the interests, rights, treatment, or Distributions of any Class under the Plan.

6. Exemption from Transfer Taxes. Pursuant to Bankruptcy Code section 1146(a), the issuance, transfer or exchange of notes or equity securities under ~~this~~the Plan, the creation or amendment of any mortgage, deed of trust or other security interest, the making or assignment of any lease or the making or delivery of any deed or other instrument of transfer, under, in furtherance of or in connection with ~~this~~the Plan, and any sale of the Assets pursuant to the APA and Sale Order or in furtherance of or in connection therewith, shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax.

7. Successors and Assigns. From and after the Effective Date, the rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Person. The provisions of the Plan shall bind all holders of Claims~~ against the Debtors~~, whether or not they have accepted the Plan.

8. Controlling Documents. (i) in the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence; and (ii) in the event and to the extent that any provision of the Plan or Confirmation Order is inconsistent with the Sale Order or APA, the Sale Order or APA, as the case may be, shall control.

X. ESTIMATED DISTRIBUTIONS

The Debtors currently estimate that approximately $10.5 million to $23.8 million could be available to satisfy Allowed Administrative Claims, Fee Claims, U.S. Trustee Fees, Priority Tax Claims, Class 1 Secured Tax Claims, Class 3 Other Secured Claims, Class 4 Unsecured Priority Claims and Class 5 General Unsecured Claims. As noted Class 2 Bond Claims will receive New Hospital Bonds and certain funds held under the Bond Documents in satisfaction of the Bond Claims.

The estimated distribution amounts set forth in this Disclosure Statement do not include any potential recoveries from Causes of Action that may be pursued in the future by the Plan Administrator. Unless otherwise provided in the Plan, all Causes of Action are preserved for the Debtors and their Estates. The likely proceeds of the Causes of Action are uncertain and highly speculative at this point. Accordingly, the Debtors are unable to project what recovery may be realized through the prosecution of the Causes of Action.

The Debtors cannot reasonably estimate the amount that will ultimately be available to satisfy Claims if the Plan is confirmed, but the Debtors will have sufficient Assets to satisfy Allowed Administrative Claims, Fee Claims, Priority Tax Claims, U.S. Trustee Claims, Class 4 Unsecured Priority Claims, and to make a distribution on account of Class 5 General Unsecured Claims.

XI. VOTING REQUIREMENTS, ACCEPTANCE, CONFIRMATION AND CONSUMMATION OF THE PLAN

A. General.

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that: (i) the Plan classifies Claims in a permissible manner; (ii) the Plan complies with the applicable provisions of the Bankruptcy Code; (iii) the Debtors complied with the applicable provisions of the Bankruptcy Code; (iv) the Debtors have proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of holders of Claims, except to the extent that "cram-down" is available under section 1129(b) of the Bankruptcy Code (see below discussion on "Cram-down," **Section G**), (vii) the Plan is feasible and confirmation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors, unless such liquidation is proposed under the Plan; (viii) the Plan is in the "best interests" of all holders of Claims in an impaired Class by providing to such holders on account of their Claims property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a Chapter 7 liquidation, unless each holder of a Claim in such Class has accepted the Plan (see **Section XI**, I entitled "Best Interests of Creditors"); (ix) all fees and expenses payable under 28 U.S.C. § 1930 (relating to bankruptcy fees payable to the clerk of the Bankruptcy Court and U.S. Trustee Fees) have been paid or the Plan provides for the payment of such fees on the Effective Date; and (x) the Debtors must have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director

or officer of the Debtors or as successor to the Debtors under the Plan, and the appointment to or continuance in such office by such individual must be consistent with public policy.

The Debtors believe that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code. Certain of these requirements are discussed in more detail below. The Debtors have proposed the Plan in good faith.

B. Eligibility to Vote.

Pursuant to the Bankruptcy Code, only classes of claims against or interests of a debtor that are "impaired" (within the meaning of section 1124 of the Bankruptcy Code) under the terms and provisions of a plan of reorganization or liquidation are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of claims and interests that are not impaired are not entitled to vote on a plan and, under section 1126(f) of the Bankruptcy Code, are conclusively presumed to have accepted a plan. Therefore, the votes of holders of such unimpaired Classes are not being solicited. In addition, under section 1126(g), Classes of impaired Claims and Interests that receive no distributions under the Plan are deemed to have rejected the Plan and the votes of such holders will not be solicited. See "Summary of Classification and Treatment of Claims under the Plan" for a summary of the classification and treatment of Claims under the Plan, as well as a designation of whether each Class is impaired or unimpaired.

Under the Plan, only holders of Class 2 Bond Claims and Allowed Class 5 Unsecured Claims are impaired and entitled to vote to accept or reject the Plan. Any Claim in a Class entitled to vote as to which an objection has been filed and has not been withdrawn or dismissed prior to the Confirmation Hearing is not entitled to vote unless the Bankruptcy Court, pursuant to Bankruptcy Rule 3018(a) and upon application of the holder whose Claim has been objected to, temporarily allows the Claim in an amount that the Bankruptcy Court deems proper solely for the purpose of accepting or rejecting the Plan. Claims filed after the deadline to file proofs, unless deemed timely filed by the Bankruptcy Court, also are not entitled to vote.

C. Estimation and Temporary Allowance of Claims.

Pursuant to section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting and other purposes. The Debtors or holders of particular Claims may seek an order of the Bankruptcy Court temporarily allowing, for voting purposes only, certain Disputed Claims.

D. Acceptance Requirements.

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by Creditors that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class who actually vote for acceptance or rejection of a plan. The vote of a holder of a Claim may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

E. Transmission of Ballots.

All holders of undisputed Class 2 Bond Claims and Allowed Class 5 Unsecured Claims (including any Claims that are temporarily Allowed for voting purposes) as of March 17, 2014 are entitled to vote to accept or reject the Plan and may do so by completing the appropriate ballot which is enclosed with this Disclosure Statement. Holders of Class 2 Bond Claims should carefully review the Ballots for instructions that are specific to Claims in that Class. In most cases, each ballot enclosed with this Disclosure Statement has been encoded with the amount of your Claim for voting purposes (if your Claim is a Disputed Claim, this amount may not be the amount ultimately allowed for purposes of distributions under the Plan) and the Class to which your Claim relates. PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS ACCOMPANYING THE ENCLOSED BALLOT, AS DESCRIBED IN THE INTRODUCTION OF THIS DISCLOSURE STATEMENT.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN, AND RETURN EACH BALLOT THAT YOU RECEIVE.

F. Acceptances Required From Impaired Classes.

In order for a plan to be confirmed without resort to the "cram-down" provisions of the Bankruptcy Code, each Class of "impaired" Claims must be determined to have accepted the Plan. As previously mentioned, each Class of "impaired" Claims will be determined to have accepted the Plan if holders accept the Plan by votes (i) representing at least two-thirds in amount of Allowed Claims in such impaired Class of those holders actually voting and (ii) more than one-half in number of Allowed Claims in such Class of those holders actually voting.

The holders of Class 2 Bond Claims and Allowed Class 5 Unsecured Claims are "impaired" under the Plan, and the Debtors are soliciting acceptances for the Plan from the holders of Allowed Claims in such Classes. Classes 1, 3 and 4 are unimpaired under the Plan and, therefore, are deemed to have accepted the Plan. Classes 6 and 7 are impaired and deemed to reject the Plan.

G. Confirmation Without Acceptance of All Impaired Classes ("Cram-down").

In the event that a plan otherwise satisfies the Bankruptcy Code's requirements for confirmation, but one or more classes of claims votes to reject the plan, a debtor has the right to seek confirmation of its plan under the "cram-down" provisions of the Bankruptcy Code.

The Bankruptcy Court can "cram-down" the Plan at the Debtors' request only if at least one impaired Class of Claims, (excluding the votes of insiders), has accepted the Plan and all other requirements of section 1129(a) of the Bankruptcy Code are satisfied.

In addition, the Bankruptcy Court must find that, as to each impaired Class that has not accepted the Plan, the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to such non-accepting Class.

A plan does not "discriminate unfairly" within the meaning of the Bankruptcy Code if the dissenting class will receive value relatively equal to the value given to all other similarly situated classes.

A plan is "fair and equitable" within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or interests.

A plan is "fair and equitable" as to a class of secured claims that rejects a plan if the plan provides (a)(i) that the holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (ii) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, equal to at least the value of the holder's interest in the estate's interest in such property; or (b) for the realization by such holders of the indubitable equivalent of such claims.

If a class of unsecured claims rejects a plan, the plan may still be confirmed as long as the plan provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim, or (b) that the holder of any claim or any interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

If a class of interests rejects a plan, the plan may still be confirmed as long as the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (b) that the holder of any interest that is junior to the interest of such class will not receive or retain under the plan on account of such junior interest any property at all.

Under the Plan, no holder in a Class of Claims is to receive Cash or other property in excess of the full amount of its Allowed Claim. Moreover, no Claim or Interest that is junior to the holders of General Unsecured Claims will receive any distribution under the Plan. Accordingly, the Debtors believe that the Plan does not discriminate unfairly as to any impaired Class of Claims or Interests and is fair and equitable with respect to each such Class under section 1129(b) of the Bankruptcy Code.

H. Feasibility of the Plan.

In connection with confirmation of the Plan, the Bankruptcy Court will have to determine that the Plan is feasible pursuant to section 1129(a)(11), which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors unless the Plan provides for the liquidation of the Debtors. Since the Plan provides for the liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation

Date obligations to pay for the costs of administering and fully consummating the Plan, including the backing of the Plan Administrator with sufficient funds to proceed with the liquidation of the Debtors' remaining Assets. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

I. Best Interests of Creditors.

To confirm the Plan over the objections of dissenting holders of impaired Claims, the Bankruptcy Court must also independently determine that the Plan is in the "best interests" of all dissenting holders of Claims impaired under the Plan. Under the "best interests" test, the Bankruptcy Court must find that the Plan provides to each dissenting holder of an impaired Claim a recovery of a value at least equal to the value, as of the Effective Date, of the distribution that each such holder would receive were the Debtors liquidated under Chapter 7 of the Bankruptcy Code. Since it is the Debtors' belief that the Plan is comparable to a liquidation, a liquidation under Chapter 7 of the Bankruptcy Code would merely increase administrative costs in the form of Chapter 7 trustee's fees and other professional fees.

To calculate a Chapter 7 trustee's fees, section 326(a) of the Bankruptcy Code provides that such fee is calculated based on all moneys disbursed not to exceed 25 percent on the first $5,000 or less, 10 percent on any amount in excess of $5,000 but not in excess of $50,000, 5 percent on any amount in excess of $50,000 but not in excess of $1,000,000, and reasonable compensation not to exceed 3 percent of such moneys in excess of $1,000,000. Based on the Debtors' projections of a distribution of approximately $32.8 million, it is likely that a Chapter 7 trustee's commission alone could be approximately $1.2 million. In addition to the Chapter 7 trustee's fee, a Chapter 7 trustee would require the assistance of other professionals and such professionals' fees would be in addition to the Chapter 7 trustee's fee. Thus, the Debtors believe the Plan is in the best interest of Creditors and all Creditors are receiving value greater than or at least equal to the value, as of the Effective Date, of the distribution that each such holder would receive were the Debtors liquidated under Chapter 7 of the Bankruptcy Code.

In addition, to the extent this case was converted, it is uncertain a Chapter 7 trustee would obtain a settlement similar to the 9019 Settlement with the Bond Trustee. As noted above, without this settlement the Debtors would have little if any funds available to distribute given the Bond Trustee's liens and Claims, including those under the Final Cash Collateral and DIP Order.

XII. CERTAIN RISK FACTORS TO BE CONSIDERED

The holder of an impaired Claim should consider carefully the following risk factors as well as all of the other information contained in this Disclosure Statement, including the Plan and other Exhibits hereto, before deciding whether to vote to accept or reject the Plan.

The formulation of a plan of reorganization or liquidation is the principal purpose of a Chapter 11 case. The Plan sets forth the means for satisfying the holders of Claims against the Debtors.

The recovery projections included in this Disclosure Statement are dependent upon certain matters, most of which are beyond the control of the Plan Administrator and some

of which may well not materialize. Unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual recoveries. Therefore, the actual recoveries achieved by the Plan Administrator may vary from the projected recoveries included herein. These variations may be material.

XIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material U.S. federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan for the Debtors and those holders of Allowed Claims are described below. The following summary does not address the 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, Secured Claims, Priority Tax Claims and Unsecured Priority Claims). No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the U.S. Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the IRS or such other authorities. As a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and describe herein. In addition, a significant amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution under the Plan. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder of an Allowed Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The following summary is for general information only. This summary does not address any estate or gift tax consequences of the Plan or tax consequences of the Plan under any state, local or foreign laws, nor does it purport to address all of the federal income tax consequences of the Plan. Furthermore, this discussion does not address all tax considerations that might be relevant to particular holders of Allowed Claims in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of holders of Allowed Claims, such as: financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Allowed Claims as part of a hedging, integrated or conversion transaction, constructive sale or "straddle," U.S. expatriates, persons subject to the alternative minimum tax, dealers or traders in securities or currencies, S corporations, small business investment companies, mutual funds, foreign corporations, and non-resident alien individuals.

If a partnership or other pass-through entity is a holder of an Allowed Claim, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-

through entity that is a holder of an Allowed Claim, you should consult your tax advisor regarding the tax consequences of the Plan to your particular situation.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POTENTIAL FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN.

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 Code, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement, and (iii) each holder of a Claim should seek advice based on its particular circumstances from an independent tax advisor.

A. Federal Income Tax Consequences to the Debtors.

The Debtors are exempt from federal income tax pursuant to section 501 of the Tax Code. 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. Federal Income Tax Consequences to Holders of Allowed Class 2 and 5 Claims.

1. Gain or Loss Recognized. Except with respect to a Claim (or portion thereof) for accrued but unpaid interest, for federal income tax purposes, each holder of an Allowed Class 2 Bond ~~Claims~~Claim and Class 5 General Unsecured 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 sum of the amount of Cash received by such holder and (ii) the adjusted tax basis of such holder's Allowed Claim. The amount and timing of such gain or loss may be affected by the resolution of Disputed Claims. The character of any gain or loss as long-term or short-term capital gain or loss or ordinary income or loss, will depend on a number of factors, including: (i) the nature and origin of the Claim (*e.g.*, Claims arising in the ordinary course of a trade or business or made for investment purposes); (ii) the tax status of the holder of the Claim; (iii) whether the Claim is a capital asset in the hands of the holder; (iv) whether the Claim has been held by the holder for more than one year; (v) the extent to which the holder previously claimed a loss or a bad debt deduction with respect to the Claim; and (vi) the extent to which the holder acquired the Claim at a discount. For a discussion of the allocation of the consideration received by holders of Allowed Class 2 and Class 5 Claims between principal and accrued but unpaid interest and the tax consequences associated with a Claim for accrued but unpaid interest, if any, see **Section B.2**. – "Receipt of Interest" below.

2. Receipt of Interest. The Plan does not address the allocation of the aggregate consideration to be distributed to holders between principal and accrued but unpaid interest. Treasury regulations appear to support a contention that all consideration distributed to a holder should be treated as interest income to the extent of accrued interest, and there can be no assurance how the IRS would determine the allocation of consideration under the Plan.

In general, to the extent that any amount of consideration received by a holder is received in satisfaction of accrued interest, or accrued original issue discount ("OID") during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder may be allowed a bad debt deduction to the extent any accrued interest or OID 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 would be a capital loss if the underlying obligation were a capital obligation.

Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest or accrued OID for tax purposes.

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 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 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. Holders are urged to consult their advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holder's tax returns.

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

XIV. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtors believe that the Plan affords the holders of Claims the potential for the greatest realization on the Debtors' Assets and, thus, is in the best interests of such holders. If the Plan is not confirmed, however, the alternative would be the liquidation of the Debtors' remaining Assets and distribution to Creditors under Chapter 7. As discussed, the Debtors believe that the Plan is significantly better for Creditors than a Chapter 7 liquidation.

XV. ALTERNATIVE PLANS OF REORGANIZATION

If the Plan is not confirmed, the Debtors or any other party-in-interest in the Chapter 11 Cases could propose a different plan or plans. The Debtors believe that under an alternative plan, particularly a plan that would likely not include a settlement similar to the 9019 Settlement, there would be little, if any, funds available for distribution to Creditors in the Chapter 11 Cases. Moreover, the filing of alternative plans would result in additional costs in administering the Chapter 11 Cases and significant delays in making distributions.

XVI. CONFIRMATION HEARING

By order of the Bankruptcy Court dated [_____ __, 2014,] the Confirmation Hearing has been scheduled for April 30, 2014 at 11:00 a.m. (Eastern Time), before the Honorable Cecilia G. Morris, Chief United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjourned hearing. Any objection to confirmation must be made in writing, filed with the Clerk of the Bankruptcy Court and served upon the following parties, together with proof of service thereof, so as to be ACTUALLY RECEIVED on or before April 23, 2014 at 5:00 p.m. (Eastern Time):

For the Debtors:

ST. FRANCIS' HOSPITAL
241 North Road
Poughkeepsie, New York 12601
Attn: Arthur Nizza

with copies to:

Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
Nixon Peabody LLP
437 Madison Avenue
New York, NY 10022
Attorneys for the Debtors

For the Committee:

Craig E. Freeman
Martin G. Bunin
Alston & Bird LLP
90 Park Avenue
New York, NY 10016
Tel: (212) 210-9591
Fax: (212) 922-3891

For the Bond Trustee:

Daniel S. Bleck
Ian A. Hammel
Mintz Levin Cohn Ferris Glovsky and Popeo, P.C.
One Financial Center
Boston, Massachusetts, 02111
Tel: (617) 542-6000

For the DIP Lender:

Robert P. Sweeter
Katie G. Stenberg
Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
Nashville, TN 37219
Tel: (615) 850-8749

For WMC:

Ted. A. Berkowitz
Kristina M. Wesch
Farrell Fritz P.C.
1320 RXR Plaza
Uniondale, NY 11556-1320
Telephone: (516) 227-0700
Facsimile: (516) 336-2211

For the United States Trustee:

United States Trustee
Eric J. Small, Esq.
Department of Justice
Office of the United States Trustee
74 Chapel Street – Suite 200
Albany, NY 12207
(518) 434-4553
(845) 452-1696

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

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

XVII. CONCLUSION

The Debtors submit that the plan complies in all respects with Chapter 11 of the Bankruptcy Code and the Debtors recommend to holders of Claims who are entitled to vote on the plan that they vote to accept the plan. The Debtors remind such holders that, to be counted, each ballot, signed and marked to indicate the holder's vote, must be actually received by no later than 4:00 p.m. (Eastern Time) on April 23, 2014, at the following address:

If mailed	*If sent by hand delivery or overnight courier*
BMC Group, Inc. **Attn: St. Francis' Hospital Ballot Processing** **PO Box 3020** **Chanhassen, MN 55317-3020**	**BMC Group, Inc.** **Attn: St. Francis' Hospital Ballot Processing** **18675 Lake Drive East** **Chanhassen, MN 55317**

Dated: ~~February 24~~March 18, 2014
Poughkeepsie, New York

Respectfully submitted,

St. Francis' Hospital, Poughkeepsie, New York,

Saint Francis Home Care Services Corporation,

SFH Ventures, Inc.,

Saint Francis Health Care Foundation, Inc.,

and

Saint Francis Hospital Preschool Program

By: /s/ Arthur Nizza, D.S.W.
Title: President and CEO of St. Francis' Hospital, Poughkeepsie, New York

Dated: ~~February 24~~March 18, 2014
New York, New York

/s/ Christopher M. Desiderio
Daniel W. Sklar
Lee Harrington
Christopher M. Desiderio
NIXON PEABODY LLP
437 Madison Avenue
New York, New York 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111
Counsel to the Debtors and Debtors in Possession

EXHIBIT A

EXHIBIT B

SCHEDULE OF EXCLUDED ASSETS[6]

(a) Other than Purchased Deposits, all cash and cash equivalents, including checks, commercial paper, treasury bills, certificates of deposit and other bank deposits (including any monies, securities, funds, or accounts established under or held by the Bond Trustee pursuant to the Bond Documents);

(b) any shares of capital stock or other equity interest of the Debtors or any securities convertible into, exchangeable or exercisable for shares of capital stock or other equity interest of the Debtors;

(c) all minute books, stock ledgers, corporate seals and stock certificates of Seller;

(d) any Contracts not listed or described in Schedule ~~Error! Reference source not found.~~2.1(c) of the APA as of the Closing;

(e) the Purchase Price and all rights of the Debtors under the APA;

(f) Benefit Plans;

(g) any and all rights, claims or causes of action of Seller against third parties arising out of events occurring prior to the Petition Date and any and all rights, claims or causes of action of the Debtors against third parties with respect to the Excluded Assets arising out of events occurring after the Petition Date;

(h) all rights under insurance policies for any refunds for unearned premiums and all rights relating to claims for losses related exclusively to any Excluded Asset;

(i) all Avoidance Actions (including the proceeds thereof);

(j) all Accounts Receivable;

(k) any deposits or prepaid charges and expenses paid prior to the Closing Date that are not Purchased Deposits;

(l) all personnel records and other records and files that the Debtors are required by law to retain in its possession;

(m) the name "Saint Francis" and "St. Francis" and any derivatives thereof and any name or phrase which includes the foregoing;

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6 Capitalized terms not otherwise defined in this Exhibit, shall have the meanings ascribed to them in the APA.

(n) all personal property of religious significance, which shall be removed from all premises from which the Business operates prior to Closing;

(o) any monies, securities, funds, or accounts established under or held by the Bond Trustee pursuant to the Bond Documents;

(p) all operating licenses of the Debtors, except those, if any, identified in Section 2.1(n) of the APA;

(q) each the Debtor's Permits that are not assignable pursuant to applicable law (including Seller's article 28 operating license) and pending applications therefore;

(r) The following Owned Real Property:

1.	Medical Office Building; Therapy Connection (occupational and physical therapy, clinical and administrative)	Condominium Suites 1A and 1B 243 North Road Poughkeepsie, NY 12601
2.	Medical Office Building; The WorkPlace/Employee Assistance (clinical and administrative)	Condominium Suite 1C (a.k.a. 103) 243 North Road Poughkeepsie, NY 12601
3.	Single Family Dwelling with detached two car garage with work room	42/40 West Cedar Street Poughkeepsie, NY 12601
4.	Single Family Dwelling	50 West Cedar Street Poughkeepsie, NY 12601

(s) the Hospital's 85.5% interest in Hudson Valley Center at St. Francis, which is held through a nominee agreement;

(t) all rights with respect to any Proceeding pending as of the Closing Date; and

(u) all Documents relating exclusively to an Excluded Asset.

EXHIBIT C

EXHIBIT D

CREDITORS WHO RECEIVED PAYMENTS TOTALING MORE THAN $6,225.00 WITHIN 90 DAYS OF THE PETITION DATE

1625 BOARDWALK, LLC
191 DELAFIELD, LLC
3M HEALTH INFORMATION SYSTEMS
~~ADP~~
ADVANCED COPIER TECHNOLOGY INC
AESCULAP INC
AFLAC NEW YORK
AGL WELDING SUPPLY CO INC
ALCON LABORATORIES
ALERE NORTH AMERICA, INC.
ALLERGAN USA INC
ALLIED BARTON
ALLIED UROLOGICAL SERVICES
ALLOY NA BRAND SOLUTIONS, INC.
AMERICAN EXPRESS
AMERICAN RED CROSS
ANESTHESIA ASSOC OF SF PC
ANGIO DYNAMICS
ARNOFF MOVING AND
ARTHREX
ARTHROCARE MEDICAL CORPORATION
AUTOMATIC DATA PROCESSING
BARD ACCESS SYSTEMS
BARD PERIPHERAL TECHNOLOG
~~BAXTER HEALTHCARE~~
BAXTER HEALTHCARE CORP
BEACON CITY SCHOOL DISTRICT
BEHAN COMMUNICATIONS, INC
BIOMERIEUX VITEK INC
BLUE OUTDOOR LLC
BOICE BROTHERS DAIRY, INC.
BOSTON SCIENTIFIC CORP
BOSTON SCIENTIFIC NEUROMODULAT
BSB CONSTRUCTION INC
BUILDING ENVIRONMENTAL SOLUTIONS, INC.
BYRNES MESSAGE BUREAU
~~CARDINAL HEALTH~~
C I A SECURITY SYSTEMS
CARDINAL HEALTH INC
CARDINAL HEALTH PHARMACY
CARDINAL HEALTH-MED SURG

CARDINAL HEALTH-MED. SURG
CARDINAL HEALTH-PHARMACY
CARDINAL MED SURG
CAREFUSION 209
CARIOVASCULAR SYSTEMS, INC
CENTRAL HUDSON GAS AND
CHLIC - BLOOMFIELD EASC
~~CIA SECURITY~~
CINTAS CORPORATION 616
CITIBANK
COFFEE SYSTEM OF THE HUDSON ~~VALL~~VALLEY
COLLEGE OF AMERICAN PATHO
COOK MEDICAL INCORPORATED
CORBALLY GARTLAND AND RAPPLEYEA LLP
CR BARD, INC
DAVID S MARSDEN PHD
DAVID S. CHO, MD
DAVID SCHAFF
DELAGE LANDEN FINANCIAL SERVICES
DELL FINANCIAL SERVICES
DELL MARKETING L.P.
DEPUY ORTHOPAEDICS
DEVICOR MEDICAL PRODUCTS INC
DFM DIETARY FOOD MANAGEMENT
DIANE M RETTINO
DR ANTHONY BASCIANO
DR AZZAM M. SALEM
DR ENISMAN FREEDMAN SEPULVEDA
DR EUGENE KOLOSKI
DR GABRIEL AGUILAR
DR J KEITH FESTA
DR JAYESH MODI
DR JOSE E. BAEZ
DR KANG KIEL KIM, PC
DR LELAND DEEVOLI
DR LOREN ROSENTHAL
DR MAHBOOBUR RAHMAN
DR MARK FOSTER
DR MICHAEL CHO
DR MISHA N. KUCHEROV
DR MOHAMMAD AKHTER
DR ROBERT A. FRISENDA
DR ROBERT HOLLAND
DR RONALD DINSMORE
DR SADAF AHSAN
DR SUSHIL CHANDRA

DR SYED HASAN NAQVI
DR THEODORA BUDNIK
DR YOUNG SHIN
DR ZIAD ELIE ABOUEZZI
DR ZUBAIR KHAN
DR. P. CHARLES GARRELL
DUTCHESS CARDIOLOGY, PC
DUTCHESS SURGICAL ASSOC, PC
EFFRON FUEL OIL CO INC
ELEKTA, INC.
EMDEON BUSINESS
~~EMDEON BUSINESS~~ SERVICES
EMERGE
ETHAN ALLEN STAFFING
FAMILY PARTNERSHIP CENTER
FFF ENTERPRISES INC
FIBERNET COMMUNICATION
FISHER HEALTHCARE
FLEXIBLE BENEFITS SYSTEMS INC.
FROSTED APPLE, LLC
GDF SUEZ ENERGY RESOURCES NA
GEORGE T WHALEN INSURANCE
GLENHAM PROFESSIONAL PLAZA LLC
GRANT THORNTON LLP
GUARDIAN
H.T. LYONS CONTRACTORS & ENGINEE
HEALTHCARE INDUSTRY TRUST - NY
HEALTHCARE MANAGEMENT SOLUTION
HESS CORPORATION
HFAF DEPOSITORY ACCOUNT
HILL ROM
HOSPIRA WORLDWIDE INC
HUDSON VALLEY HEART CENTER
INSTRUMENT DOCTORS
INTERNAL REVENUE SERVICE
INTUITIVE SURGICAL, INC
IRON MOUNTAIN RECORDS MANA
J.A.M. BUILDERS INC
~~JAMES MCGUINESS~~
JAMES MCGUINNESS & ASSOCIATES
JANITRONICS FACILITY SERVICES
JOHN HERBERT CO
JOHNSON & JOHNSON HEALTH CARE ~~SYST~~SYSTEMS INC
~~JOHNSON & JOHNSON HEALTHCARE SYSTE~~
~~JOHNSON & JOHSON HEALTH CARE SYSTE~~
KCI USA INC

KEY INTERIOR ACOUSTICAL, LLC
KFORCE HEALTHCARE, INC.
KIMBERLY CLARK/BALLARD ~~MEDICA~~MEDICAL
LCS FACILITY GROUP INC
LINCOLN LIFE & ANNUITY COMPANY
LINDE GAS NORTH AMERICA LLC
M MODAL
MAAR PRINTING SERVICE
MANAGED CARE PROFESSIONALS
MANAGED CARE REVENUE CONSULTING
MANHATTAN TELECO
MASTER RISK INC
MC SERVICECO LLC
MEDICAL DIAGNOSTIC IMAGING LLC
MEDICAL INFORMATION TECHNOLOGY
MEDICAL LIABILITY MUTUAL ~~INSURAN~~INSURANANCE
MEDICAL SOLUTIONS, LLC
MEDICAL STAFFING NETWORK
MEDIFAX-EDI, LLC
MEDIVATORS, INC
MEDLINE INDUSTRIES, INC.
MEDRAD INC
MEDTRONIC INC
MEDTRONIC SD USA, INC.
MEDTRONIC SOFAMOR DANEK US
MEDTRONIC USA
MENTOR
METROPOLITAN TELECOMMUNICATION
MID HUDSON MEDICAL GROUP
MID VALLEY ONCOLOGY/HEMATOLOGY
MIDASPLUS HEALTHCARE SOLUTIONS
MOHAWK VALLEY PLAN
MOUNT KISCO MEDICAL GROUP
MTA PAYROLL TAXES
NEW BEGINNINGS SURGERY, P.C.
NEW CENTURY
NEW TECH
NEW YORK BLOOD CENTER
NEW YORK SPINE SURGERY AND
NEW YORK STATE INSURANCE FUND
NEW YORK STATE TAXES
NORTH ROAD SURGERY, P.C.
NUVASIVE, INC.
NYS CHILD SUPPORT
NYS DEPT OF HEALTH
NYS INCOME TAX

NYS UNEMPLOYMENT INSURANCE
O & D ELECTRICAL MAINTENANCE
ORANGE PATHOLOGY ASSOCIATE, PC
ORGANOGENESIS INC.
ORTHOFIX
ORTHOPEDIC ASSOCIATES OF DUTCHES
OTIS ELEVATOR CO
OWENS AND MINOR
PAETEC COMMUNICATION INC
PANTHEON CAPITAL LLC
PAYROLL-INDIVIDUAL EMPLOYEES
PHARMALOGIC SYRACUSE LLC
PHILIPS MEDICAL CAPITAL
PHILIPS MEDICAL SYSTEMS
PHONAK, LLC
PHYSIOLOGIC ASSESSMENT SER
PMA INSURANCE GROUP
PRECYSE SOLUTIONS LLC
PREMIER MEDICAL GROUP
PROCURA
PUBLIC GOODS POOL
PUBLIC GOODS POOL (SW)
QUALITY BILLING SERVICE, INC
QUEST DIAGNOSTICS
RADIATION MEDICINE ASSOCIATION ~~O~~
RADIOLOGY ASSOCIATES
RENOVO SOLUTIONS, LLC
RESTORIXHEALTH
RJS ASSOCIATES AND CONSULTANTS ~~L~~LLC
ROBISON AND SMITH INC
ROYAL CARTING SERVICE CO
SECTRA NORTH AMERICA, INC.
SENTRY DATA SYSTEMS, INC.
SHERIFF DUTCHESS COUNTY
SHIRE REGENERATIVE MEDICINE
SIEMENS MEDICAL SOLUTIONS, USA
SISTERS OF ST FRANCIS
SPACKENKILL UNION FREE SCHOOL DISTRICT
ST FRANCIS HOME CARE
STAFF CARE INC
STERICYCLE, INC.
STERIS CORPORATION
STRAUSS PAPER COMPANY
STRYKER CRANIOMAXILLOFACIAL
STRYKER ENDOSCOPY
STRYKER ~~ORTHOPAEDICS~~ORTHOPEDICS

STRYKER SPINE
SUN LIFE INSURANCE & ANNUITY
SURGIQUEST, INC
SYSMEX AMERICA, INC.
TACONIC REALTY ASSOCIATE
TELEHEALTH
THE CENTER FOR WOUND HEALING
THE CHILDRENS MEDICAL
THE GRANDVIEW
THOMAS GLEASON INC
TRANSFIRST LLC
TRITECH HEALTHCARE ~~MANAGEMANT~~MANAGEMENT
TRUSTAFF TRAVEL NURSES, LLC
T-SYSTEM, INC.
TTP PHYSICIAN SERVICES, PLLC
TWINSTATE
U S FOODSERVICE INC
UNITED FIN CAS CO
UNITEX
US POSTAL SERVICE
VERIZON WIRELESS
VIRTUAL GRAFFITI, INC.
VITAL SIGNS INC
W.B. MASON
WEX INC

All persons and entities listed by the Debtors in response to Question 3(b) in their respective Statements of Financial Affairs filed by the Debtors in the Chapter 11 Cases.

INSIDERS WHO RECEIVED PAYMENTS TOTALING MORE THAN $6,225.00 WITHIN 1 YEAR OF THE PETITION DATE

BARLOW, JASON B
CASH-HOLLAND, KRISTIN M
FESTA, JAMES K
NARU, BARBARA B
NIZZA, ARTHUR A
NOCKET, PATRICIA
PRISCO, GEORGE M
RINAUDO, HELEN
SAVAGE, ROBERT L

All persons and entities listed by the Debtors in response to Question 3(c) in their respective Statements of Financial Affairs filed by the Debtors in the Chapter 11 Cases.