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TOGUT, SEGAL & SEGAL LLP
 Counsel for Debtors and Debtors in Possession
 One Penn Plaza, Suite 3335
 New York, New York 10119
 (212) 594-5000
 Frank A. Oswald
 Jeffrey M. Traurig

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

-----X
 :
 In re: : Chapter 11
 : Case No. 07-10609 (REG)
 OUR LADY OF MERCY MEDICAL CENTER, *et al.*, :
 :
 Debtors. : (Jointly Administered)
 :
 -----X

**SECOND AMENDED DISCLOSURE STATEMENT
 RELATING TO THE SECOND AMENDED PLAN OF
 LIQUIDATION OF OUR LADY OF MERCY MEDICAL CENTER**

Dated: New York, New York
 October 28, 2008

TOGUT, SEGAL & SEGAL LLP
 Attorneys for the Debtors
 and Debtors in Possession
 Co-Proponent of the
 Plan of Liquidation
 One Penn Plaza, Suite 3335
 New York, New York 10119
 Telephone: (212) 594-5000
 Facsimile: (212) 967-4258
 Attn: Frank A. Oswald
 Jeffrey M. Traurig

ALSTON & BIRD LLP
 Attorneys for the Official Committee
 of Unsecured Creditors of
 Our Lady of Mercy Medical Center
 Co-Proponent of the
 Plan of Liquidation
 90 Park Avenue
 New York, New York 10016
 Telephone: (212) 210-9400
 Facsimile: (212) 210-9444
 Attn: Martin G. Bunin
 Craig E. Freeman

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PRELIMINARY STATEMENT

THIS DISCLOSURE STATEMENT RELATES TO THE PLAN OF LIQUIDATION OF OUR LADY OF MERCY MEDICAL CENTER AND HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. THE DEBTOR AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF OUR LADY OF MERCY MEDICAL CENTER ARE THE PROPONENTS OF THE PLAN. THE PLAN PROVIDES FOR THE PROPOSED METHOD OF LIQUIDATION OF THE ASSETS OF THE DEBTOR AND THE DISTRIBUTIONS CREDITORS OF THE DEBTOR WOULD RECEIVE IN THE DEBTOR'S CHAPTER 11 CASE.

NO PERSON MAY GIVE ANY INFORMATION ON BEHALF OF THE DEBTOR REGARDING THE PLAN PROPONENTS' 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 DEBTOR 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 1), 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 PLAN PROPONENTS 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 DEBTOR AND THE CREDITORS' COMMITTEE HAVE JOINTLY PROPOSED THE PLAN AND THUS URGE ALL HOLDERS OF CLAIMS IN CLASS 3 AND CLASS 4 TO VOTE TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS SO THAT THEY ARE RECEIVED BY 5:00 P.M. (EASTERN TIME) ON DECEMBER 3, 2008, IF SENT BY MAIL, AT THE GARDEN CITY GROUP, RE: OUR LADY OF MERCY MEDICAL CENTER, *ET AL.*, ATTN: VOTING

DEPARTMENT, P.O. BOX 9000-6485, MERRICK, NEW YORK 11566-9000, OR IF DELIVERED BY HAND OR OVERNIGHT COURIER, AT GARDEN CITY GROUP, RE: OUR LADY OF MERCY MEDICAL CENTER, *ET AL.*, 105 MAXESS ROAD, MELVILLE, NEW YORK 11747.

PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST THE DEBTOR 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.

THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN UPON HOLDERS OF CLAIMS AGAINST 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.

I. INTRODUCTION

Our Lady of Mercy Medical Center (“OLM” or the “Debtor”), debtor and debtor in possession in the chapter 11 Case Number 07-10609 (REG) (the “Chapter 11 Case”) 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 with the Bankruptcy Court a second amended plan of liquidation, dated October 1, 2008 (as may be further amended from time to time, the “Plan”), a copy of which is annexed hereto as Exhibit 1. The Debtor is distributing this disclosure statement (the “Disclosure Statement”), pursuant to section 1125 of the Bankruptcy Code, to provide the Debtor’s creditors with adequate information so that they can make an informed judgment on whether to vote to accept or reject the Plan. The Plan has been jointly proposed by the Debtor and the Official Committee of Unsecured Creditors (the “Creditors’ Committee”). 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.

Pursuant to chapter 11 of the Bankruptcy Code, a debtor may reorganize or wind up its affairs for its benefit and the benefit of its creditors. In a chapter 11 case, the debtor typically remains in control of the estate as the “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 March 16, 2007, the United States Trustee appointed the Creditors’ Committee.

The provisions of the Bankruptcy Code are designed to encourage the parties-in-interest in a chapter 11 proceeding to negotiate the terms of a plan of reorganization or liquidation so that it may be confirmed. A chapter 11 plan is the vehicle for satisfying or otherwise addressing the claims against and interests in a debtor. After the chapter 11 plan has been filed, the holders of claims against and/or interests in a debtor, whose claims or interests are impaired under the plan, may vote to accept or reject the plan. Section 1125 of the Bankruptcy Code requires a debtor, before soliciting acceptances of the proposed plan, to prepare a disclosure statement containing adequate information of such kind, and in such detail, as to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Bankruptcy Court has determined that this Disclosure Statement meets that test.

B. Preliminary Statement and Summary of Recoveries.

On March 8, 2007 (the “Petition Date”), the Debtor and O.L.M. Parking Corporation (“O.L.M. Parking” and together with OLM, 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 Debtor and the Creditors' Committee have negotiated and filed the Plan. The primary objective of the Plan is to provide a mechanism for completing the liquidation of the Debtor's remaining assets, including causes of action, if any, held by, or in favor of, the Debtor, reconciling and fixing the claims asserted against the Debtor and distributing the net liquidation proceeds in conformity with the distribution scheme provided by the Bankruptcy Code. As described below, a substantial portion of the Debtor's assets were sold to Montefiore Medical Center ("MMC") pursuant to an Order of the Bankruptcy Court dated July 2, 2007 (as amended, the "Sale Order"); the sale (the "Sale") was consummated on July 23, 2008 (the "Sale Date"). Certain assets of the Debtor were excluded from the Sale, including, but not limited to, accounts receivable. The Debtor has ceased operations as a healthcare provider (such services now being provided by MMC) and the Debtors continue to wind down their affairs. Because the Plan is a plan of liquidation, pursuant to section 1141(d)(3) of the Bankruptcy Code, the Debtor will not receive a discharge, and will not engage in business after a Final Decree has been entered and its chapter 11 case is closed. All membership interests in the Debtor 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 membership interests in the Debtor. The Plan does not apply to the chapter 11 case of O.L.M. Parking. The Debtors intend to file a separate motion seeking, among other things, the dismissal of O.L.M. Parking's chapter 11 case because O.L.M. Parking has no assets.

The table below summarizes the treatment for creditors of OLM under the Plan. For a complete explanation, please refer to the discussion in Article IV, Section B of this Disclosure Statement, entitled "Summary of Classification and Treatment of Claims Under the Plan" and to the Plan itself.¹

Class	Description	Treatment if Claim Allowed	Estimated Recovery if Claim Allowed
Unclassified	Administrative Claims	Unimpaired	100%
Unclassified	Priority Tax Claims	Unimpaired	100%
Class 1	Secured Claims	Unimpaired	100%
Class 2	Priority Claims	Unimpaired	100%

¹ Membership Interests are addressed in Section 6.18 of the Plan and Article IV.E.10 of this Disclosure Statement.

Class	Description	Treatment if Claim Allowed	Estimated Recovery if Claim Allowed
Class 3	General Unsecured Claims	Impaired	28% to 49% ²
Class 4	Litigation Claims	Impaired	Varies on available insurance for each year and the election of treatment by the claimant as described in Section III.M of this Disclosure Statement and Section 504(a)(i) and 504(a)(ii) of the Plan.
Class 5	Subordinated Claims	Impaired	0%

The Plan is the product of negotiations among the Debtor and the Creditors' Committee, as co-proponents of the Plan. The Debtor has approved the Plan and the transactions contemplated thereby and recommends that all creditors whose votes are being solicited submit ballots to accept the Plan. In addition, the Creditors' Committee, as co-proponent of the Plan, urges creditors entitled to vote to accept the Plan.

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, holders of General Unsecured Claims (Class 3 Claims) and Litigation Claims (Class 4 Claims) are the only Classes of creditors entitled to vote on the Plan. Holders of Subordinated Claims (Class 5 Claims) are not entitled to vote because no distributions will be paid under the Plan on account of Subordinated Claims.

D. Definitions; Exhibit.

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 The Debtor currently estimates that approximately \$26.8 million to \$30.5 million could be available to satisfy Administrative Claims, Priority Tax Claims, Class 1 Secured Claims and Class 2 Priority Claims, which the Debtor estimates should provide Class 3 General Unsecured Claims with a recovery in a range of 28% to 49%. To the extent insurance is not available to satisfy a Litigation Claim, such Litigation Claim will be afforded the treatment of a Class 3 General Unsecured Claim unless the holder of a timely or deemed timely filed proof of claim has elected treatment under section 5.04(a)(i) of the Plan. No funds will be available to satisfy Subordinated Claims. These estimates are based upon the Debtor's records and upon its review of claims filed prior to the Bar Date (as defined herein). All claims have not yet been reconciled. Accordingly, the final distributions may vary from these estimates.

2. Exhibit. A copy of a liquidation analysis is attached hereto as Exhibit "2." A non-exhaustive list setting forth persons or entities that received payments during the 90 days prior to the Petition Date is attached hereto as Exhibit "3." Lists of (a) executory contracts and unexpired leases to be assumed under the Plan, if any, and (b) a non-exhaustive list of executory contracts and unexpired leases to be rejected under the Plan will be filed with the Bankruptcy Court at least ten (10) days prior to the date of the Confirmation Hearing as Exhibits "4" and "5."

E. Notice to Creditors.

1. Purpose of Disclosure Statement. This Disclosure Statement is being transmitted to, among others, holders of Impaired Claims against the Debtor that are entitled to vote to accept or reject the Plan (Class 3 – General Unsecured Claims, Class 4 - Litigation Claims). This Disclosure Statement is being transmitted to holders of Claims in Classes 1 and 2 that filed proofs of claim, although holders of those Claims, if Allowed, are not Impaired and are not entitled to vote on account of such Claims. This Disclosure Statement also is being transmitted to holders of Subordinated Claims that filed proofs of claim, although such Subordinated Claim holders are deemed to have rejected the Plan and are thus not entitled to vote on the Plan.

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 Debtor's 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 Plan Proponents to use or disclose any information concerning the Debtor 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 Debtor, its estate, the value of its 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 Debtor, and has been relied upon by the Creditors' Committee in advocating acceptance of the Plan. This Disclosure Statement is accurate to the best of the Plan Proponents' knowledge,

information and belief. The Plan Proponents 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 1. 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 [_____, 2008], 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 XII 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, if being sent by mail, must be received, pursuant to the following instructions, by the Debtor's voting agent at the following address, before 5:00 p.m. (Eastern Time) on December 3, 2008 (the "Voting Deadline"):

If mailed

*if sent by hand delivery
or overnight courier*

The Garden City Group
Our Lady of Mercy Medical Center, *et al.*
Attn: Voting Department
P.O. Box 9000-6485
Merrick, New York 11566-9000

The Garden City Group
Re: Our Lady of Mercy Medical Center, *et al.*
Attn: Voting Department
105 Maxess Road
Melville, New York 11747

IF YOU HOLD A GENERAL UNSECURED CLAIM OR A LITIGATION 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.

IF YOU ARE A HOLDER OF A GENERAL UNSECURED CLAIM OR LITIGATION 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.

IF YOU ARE THE HOLDER OF A LITIGATION CLAIM, YOU MUST ELECT ON YOUR BALLOT TREATMENT UNDER SECTION 5.04(a)(i) TO BE GRANTED RELIEF FROM THE AUTOMATIC STAY OR THE DEBTOR WILL SEEK TO ESTIMATE YOUR CLAIM IN THE DISTRICT COURT.

2. Acceptance of the Plan. Under the Bankruptcy Code, an impaired class of claims entitled to vote has accepted the 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 December 10, 2008 at 9:45 a.m. (Eastern Time), in Courtroom 627 of the United States Bankruptcy Court, One Bowling Green, New York, 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 Debtor filing a notice of adjournment.

II. GENERAL INFORMATION ABOUT THE DEBTORS

A. The Business and History of the Debtors.

1. OLM and O.L.M. Parking

Historically, OLM was a 369-bed, not-for-profit, acute care teaching hospital that serviced a poor and working class community in the northeast section of the Bronx. OLM offered a full range of acute care services including: emergency, ambulatory surgery, obstetrics, oncology, mental health and rehabilitation medicine, among others. OLM was also a teaching hospital, providing residency and fellowship programs through its affiliation with New York Medical College. In 2006, OLM treated and discharged approximately 17,000 inpatients and treated approximately 120,000 outpatients, including ambulatory surgery and renal dialysis.

Through O.L.M. Parking, the Debtors operated and maintained a parking garage facility (the "Garage") at 613 East 233rd Street, across the street from the hospital, which included warehouse space and OLM's Ambulance Department which could hold 642 vehicles. The land under the Garage was owned by OLM. The Garage itself was leased by O.L.M. Parking, as described below.

Prior to February 2006, the Catholic Health Care System ("CHCS") was the sole member of OLM and OLM Healthcare Systems, Inc. ("OLM Healthcare"). OLM Healthcare was the sole member of O.L.M. Parking and OLM Ambulatory Care Center, Inc. ("OLM Ambulatory").

In January 2006, the Debtors became affiliates of the Montefiore Health System ("MHS"). As of the Petition Date (and continuing through the date hereof), the sole member of each of the Debtors was Montefiore Health System, Inc. (the "Member") and each of the Debtors was part of the Montefiore Health System. OLM was governed by a Board of Trustees and O.L.M. Parking was governed by a Board of Directors.

As of the Petition Date, the Debtors had approximately 2,300 employees, including approximately 1700 full-time and 600 part-time workers. Approximately 1,500 of the Debtors' employees belonged to the local chapters of the Service Employees International Union, the Committee of Interns and Residents/SEIU (the "CIR"), and the International Union of Operating Engineers, Local 30.

B. Significant Pre-Petition Secured Debt.

1. MMC's Secured Pre-Petition Debt

In connection with the change in OLM's corporate structure in January 2006, and to alleviate some of the Debtor's short-term liquidity burdens, on January 24, 2006, MMC acquired OLM's 1995 mortgage loan in the outstanding principal amount of \$11,480,646 secured by OLM's main campus, located at 600 East 233rd Street, Bronx New York.

In accordance with an Amended Restated Mortgage Note, MMC deferred payments of principal and interest due under the MMC Mortgage, totaling approximately \$125,663 per month, for twenty-four (24) months, until February 1, 2008. As of the Petition Date, the outstanding principal amount due under the MMC Loan was \$10,800,612.

2. JP Morgan Chase Bank (“Chase”), as successor in interest to the Bank of New York (“BONY”), Secured Pre-Petition Debt

OLM and OLM Healthcare borrowed \$14.5 million, from BONY, pursuant to loan agreements dated as of June 13, 1997 (the “BONY Loans”). The BONY Loans were used for working capital and other needs of the Debtor.

On or about February 1, 2006, the Debtor and BONY restructured the BONY Loans upon which: (i) OLM Healthcare was relieved of any liability under the BONY Loans; (ii) OLM Healthcare transferred its interest in the Properties to OLM; and (iii) BONY was given replacement promissory notes issued by OLM secured by the Properties. JPMorgan Chase Bank (“Chase”) was the successor in interest to BONY.

As of the Petition Date, the principal amount due and owing under the BONY Loans and outstanding note was approximately \$1.7 million which is secured by mortgages against (ii) the “Vireo Building” located at 4217-19 Vireo Avenue, Bronx, New York 10470 (which provided office space for certain administrative functions of the Debtor); and (iii) the “Farrand Building” located at 4401 Bronx Boulevard, Bronx, New York 10466; (which was used by OLM for research and outpatient care provided to individuals with behavioral health and related conditions).

On or about September 12, 2007, Chase assigned all legal and beneficiary rights to the claim relating to the BONY Loans and its liens thereon to Lehman Brothers Bank, FSB (and as may be further assigned, “Lehman”).

3. IDA Pre-Petition Debt

In 1993, the New York City Industrial Development Agency (“IDA”) issued \$12,990,000 Civic Facility Revenue Bonds, (O.L.M. Parking Corporation Project Series 1993) (the “Bonds”). The Bonds were due to mature in 2022 and were held primarily by investment funds controlled by (i) Van Kampen (33%) and (ii) Putnam (67%) (together, the “Bondholders”), with Bank of New York as the Indenture Trustee. Proceeds from the Bonds were used to build the Garage.

As of the Petition Date, the IDA held nominal fee interest title to the Garage. Pursuant to a lease agreement dated March 1, 1993 (the “Garage Lease”), O.L.M. Parking leased the Garage from the IDA. In turn, pursuant to a sub-lease agreement dated March 1, 1993 (the “Garage Sub-Lease”), O.L.M. Parking subleased a large portion of the Garage to OLM. Garage Lease payments by O.L.M. Parking, funded largely by Garage Sub-Lease payments made by OLM, were contemplated to be in an amount sufficient to service IDA’s debt under the Bonds, however, the Garage lost approximately \$600,000 per year, and prior to the Petition Date OLM had been

subsidizing the cash shortfall. Both the Garage Lease and Garage Sub-Lease were to be in effect until IDA satisfied its obligation under the Bonds.

The Bonds were secured by a leasehold mortgage lien on and security interest in the IDA's and O.L.M. Parking's interest in the Garage real property, a fee mortgage in the IDA's interest in the improvements on the real property and an assignment to the Indenture Trustee of certain of the IDA's rights and remedies under the Garage Lease, including the right to receive lease payments and other amounts payable thereunder. O.L.M. Parking's obligation to make lease payments due under the Garage Lease was further secured by a collateral assignment of O.L.M. Parking's interests in the Garage Sub-Lease.

As of the Petition Date, the principal amount due under the Bonds was approximately \$10.7 million of which the Bondholders held approximately \$1.9 million in a cash reserve escrow account, established in accordance with the Indenture of Mortgage and Trust, dated March 1, 1993. As described below, the Debtors negotiated a settlement with the Indenture Trustee that fixed and reduced the amount of secured debt to be repaid.

4. Bank of America Secured Pre-Petition Debt

On or about December 16, 1998, Fleet Bank (now Bank of America) ("B of A") entered into a \$15 million unsecured working capital revolving line of credit facility with OLM.

As of the Petition Date, the B of A loan, as amended, required monthly principal payments of \$72,660 plus interest, with a balloon payment of approximately \$7.2 million due on March 31, 2008. The B of A loan is secured by a second lien in the Farrand Building and the Vireo Building.

As of the Petition Date, the principal amount owed to B of A was approximately \$8.1 million. On or about December 27, 2007, B of A assigned its legal and beneficial rights to payment and its liens to Glastonbury Capital Partners, LLC ("Glastonbury").

5. CIT Healthcare, LLC ("CIT") Secured Pre-Petition Debt

In January 2006, OLM entered into an accounts receivable revolving credit facility of up to \$14 million with CIT, pursuant to an agreement dated January 30, 2006 (the "CIT Revolver").

The Revolver was secured by a first priority lien against substantially all of OLM's accounts receivable. As of the Petition Date, the CIT Revolver had not been drawn down, although availability had been reduced by \$1.5 million in connection with OLM's obligations under a capital lease agreement with CIT. As described below, the CIT Revolver was replaced with post-petition financing through HFG (defined below) and the capital lease was assumed by MMC at closing.

6. DASNY Secured Pre-Petition Debt

Beginning in March 2004, in an attempt to offset OLM's cash flow shortfalls, DASNY extended six loans to the Debtor.

The DASNY Loans are secured by junior liens against the Farrand Building and the Vireo Building subordinate to both the BONY and B of A liens. As of the Petition Date, the principal amount owed under the DASNY Loans was \$14 million; based on appraisals commissioned by the Debtor in January 2007, the Debtor believes DASNY is completely undersecured.

C. Events Leading To Commencement Of Chapter 11 Case.

Like many tri-state hospitals, the Debtor endured financially challenging times the past several years, and serious operational and cash flow problems. Healthcare providers in general, and OLM in particular, saw revenues fall or remain flat because of the changing nature of the health care industry. Providing medical services was increasingly being conducted in ambulatory and emergency room settings; therefore, the length of patient stays in hospitals has been reduced, resulting in declining inpatient volumes and, in turn, revenue. Additionally, reimbursements from Medicare and Medicaid, which accounted for the majority of OLM's revenue, has remained relatively flat over the last several years. At the same time, managed care companies, which have become a powerful presence in the healthcare industry, used their leverage to keep reimbursement rates low, and imposed complex procedures for reimbursement of claims, which resulted in unreasonable delays and/or the outright denial of claims. Moreover, every year OLM provided indigent care to those who cannot afford the cost of healthcare.

OLM's affiliation with MHS and MMC as part of the January 2006 restructuring, described above, was designed to (a) maintain the healthcare services required by the community, (b) enhance the program scope and quality of care provided at OLM and OLM Ambulatory and (c) improve the financial viability of OLM, as part of an integrated health care delivery system. Although OLM had realized many of the benefits which were hoped for and expected by the affiliation with MMC, the affiliation in and of itself was not enough to ensure the Debtor's viability as a stand-alone hospital in light of, among other things, New York State's determination not to provide continued funding to OLM in 2007, its short-term liquidity and long-term capital requirements, liabilities aggregating more than \$100 million, and having substantially all of its assets encumbered by liens, mortgages or other encumbrances.

Prior to the Chapter 11 Case, it became apparent to OLM's Board of Trustees that the Debtor would not be able to continue as a going concern unless there was a substantial infusion of funds to support ongoing operations. After being unable to obtain such funds, the Debtor sought to sell substantially all of its assets to MMC, subject to higher and better offers. The Sale was consummated on the Sale Date. See Section III.G below.

III. ACTIVITIES WITHIN THE CHAPTER 11 CASES

A. Filing. On March 8, 2007, 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 March 9, 2007, the Debtors' Chapter 11 Cases were consolidated for procedural purposes only and are being jointly administered under Case Number 07-10609 (REG). The Honorable Robert E. Gerber 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 March 9, 2007, 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) prohibiting utilities from terminating service and establishing procedures for requests for additional adequate protection;
- (iv) authorizing the Debtors to pay pre-petition payroll and related employee benefits;
- (v) authorizing the employment of professionals utilized in the ordinary course of business;
- (vi) authorizing the Debtors to continue workers' compensation programs and insurance policies and pay all obligations owing thereunder;
- (vii) 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; and
- (viii) establishing procedures for treatment of valid reclamation claims.

D. Appointment of Creditors' Committee. On March 16, 2007, the then Acting United States Trustee for the Southern District of New York appointed the following creditors to the Creditors' Committee: (i) Combined Coordinating Council, Inc., (ii) Archdiocese of New York, (iii) 1199 SEIU United Healthcare Workers East, (iv) Owens & Minor, (v) Siemens Medical Solutions USA, (vi) Amerisource Bergen, and (vii) Health/ROI. On December 21, 2007, the United States Trustee supplemented the creditors on the Creditors' Committee to add Maria Katechis (Administrator of Estate of Nikolaos Katechis).

E. Appointment of Patient Care Ombudsman. On April 5, 2007, the United States Trustee appointed Daniel T. McMurray of Focus Management Group as the "Patient Care Ombudsman" in accordance with section 333(a)(2) of the Bankruptcy Code. The ombudsman issued seven reports regarding the patient healthcare services provided by the Debtor during the Chapter 11 Case. Each report indicated that such services were satisfactory.

On July 31, 2008, following the Sale (described below), the Bankruptcy Court entered an order authorizing a stipulation by and among, the Debtors, the Creditors' Committee, the United States Trustee and the Patient Care Ombudsman excusing the Patient Care Ombudsman of his duties, effective July 23, 2008.

F. Retention and Compensation of Professionals.

1. Bankruptcy and Special Counsel. On March 9, 2007, the Debtors received authorization to retain Togut, Segal & Segal LLP ("TS&S") as counsel to the Debtors on an interim basis and the law firm of Garfunkel, Wild & Travis, P.C. ("GWT") as special corporate, regulatory and litigation counsel to the Debtors. The Orders approving the retention of TS&S and GWT on a final basis were entered on March 26, 2007.

2. Sales Consultants. On March 9, 2007, the Debtors received authorization to retain Cain Brothers & Company, LLC ("Cain") as sales consultants, on an interim basis. An Order approving the retention of Cain on a final basis was entered on March 26, 2007.

3. Financial and Restructuring Consultant. On March 9, 2007, the Debtors received authorization to retain Montclair Partners, LLC ("Montclair") as financial and restructuring consultants to the Debtors on an interim basis. An Order approving the retention of Montclair on a final basis was entered on March 29, 2007.

4. Auditors. During the Chapter 11 Case, the Debtors retained Ernst & Young LLP ("E&Y") as their auditors, which retention was approved by Order of the Bankruptcy Court on May 16, 2007, and supplemented on July 23, 2007, April 9, 2008 and July 29, 2008.

5. Claims and Voting Agent. Because of the large number of creditors in the Chapter 11 Case, on March 9, 2007, the Debtors obtained Bankruptcy Court approval to have Garden City Group LLP ("Garden City") appointed as the official claims agent for the Clerk of the Bankruptcy Court. The services performed and to be

performed by Garden City 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) provision of other administrative services that the Debtors may require.

6. Professionals Retained by the Creditors' Committee. During the Chapter 11 Case, the Creditors' Committee retained Alston & Bird LLP ("A&B") as their legal advisors and Alvarez & Marsal Healthcare Industry Group, LLC ("A&M") as their financial advisors. A final Order approving the retention of A&B was entered on April 17, 2007 and a final Order approving the retention of A&M was entered on May 22, 2007.

7. Professionals Retained by Patient Care Ombudsman. Following his appointment, on April 12, 2007, the Patient Care Ombudsman filed an application seeking authorization to retain Neubert, Pepe & Monteith, P.C. ("Neubert Pepe") as his counsel. An Order approving the retention of Neubert Pepe was entered on April 24, 2007.

G. Asset Sales.

1. Sale to MMC

On March 8, 2007, 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 MMC, for cash equal to (a) thirty million dollars (\$30,000,000) (the "Base Price"), subject to various (a) deductions including the amount of assumed executory contract, capital lease, benefit obligations and the amount of the MMC mortgage obligations and (b) credits including inventory costs, pre-paid deposits, a transition service patient costs and a percentage of various capital lease expenses previously paid by OLM, free and clear of all liens, claims and encumbrances, as set forth in the Asset Purchase Agreement (the "APA"), dated March 8, 2007, subject to the terms of the APA and subject to higher and better offers.

On March 29, 2007, the Bankruptcy Court entered an Order establishing, among other things, noticing of the sale and bidding procedures for potential purchasers. In compliance with the bidding procedures Order approved by the Bankruptcy Court, the Debtors coordinated with Garden City, 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; more than 2,500 parties were served. The Debtors also caused notice of the auction and sale hearing to be published in *The New York Times* and *The Wall Street Journal* (National Editions).

In early June 2007, the Creditors' Committee's counsel informed the Debtors of, among other things, potential objections to the sale. Although the Debtors and MMC believed that the Creditors' Committee's objections lacked merit, the Debtors recognized that a court could rule otherwise and were concerned that if the Creditors' Committee's objections were successful a shutdown of the hospital would necessarily follow. To avoid the cost of litigation and at the same time maximize value to the

Debtors' estates, a consensual resolution was reached among the parties. The settlement provided that MMC would reduce the credit bid component of the purchase price deduction relating to MMC's mortgage by \$7.5 million, thereby increasing the cash component of the purchase price by \$7.5 million.

On July 2, 2007, the Bankruptcy Court approved the Sale under the APA and authorized the Debtors to consummate the transaction with MMC subject to satisfaction of closing conditions and obtaining necessary regulatory approvals.

Following Bankruptcy Court approval for the Sale, the Debtors and MMC sought to satisfy the closing conditions and obtain the necessary regulatory approvals.

As part of the regulatory approval process, both the State Hospital Review and Planning Council ("SHRPC") and the Public Health Counsel ("PHC") needed to approve the Sale of OLM's assets to MMC. Conditional approval of the Sale was obtained from the PHC and SHRPC in January 2008, which conditions were minor in nature and satisfied.

A condition precedent to the Sale also was entry into leases for the Vireo Building and the Farrand Building. The Debtor negotiated and documented triple net leases for the buildings and obtained Bankruptcy Court approval for same, subject to certain terms agreed to with Lehman and Glastonbury, the first and second lien holders on the properties.

The Sale also was premised and conditioned on MMC, with limited specified exceptions, not assuming OLM's liabilities including Medicare and Medicaid-related liabilities and similar government liabilities. The APA also provided that MMC was not acquiring the OLM Provider Number or the OLM Provider Agreement. The Sale was further conditioned on MMC having its graduate medical education ("GME") cap increased to include OLM's GME cap so that MMC would receive GME payments consistent with what OLM was receiving before the Sale closing. In addition, the APA was conditioned upon MMC's obtaining agreements, satisfactory in its sole discretion, with the New York State Department of Health ("DOH"), the United States Department of Health and Human Services ("HHS") and Centers for Medicare and Medicaid Services ("CMS") regarding (i) post-closing reimbursement rate adjustments, and (ii) an express limitation on post-closing successor liability.

As of the beginning of 2008, these open issues still had not been resolved and the closing conditions not satisfied. To resolve the open issues, MMC, the Creditors' Committee counsel and the Debtor participated in multiple meetings and communicated with federal authorities in an attempt to resolve, among other things, cost report and overpayment liabilities, as well as the federal government's assertions that it would pursue successor liability claims against MMC relating to among other things the Debtor's prepetition detoxification services and claims under the False Claims Act, including unknown claims based upon pre-closing OLM conduct which might become known post-closing. The liabilities that were being asserted against the Debtor and potentially against MMC aggregated approximately \$30 million before trebling and penalties, which could have resulted in claims in excess of \$200 million (the "Detox Claim") relating to inpatient drug or alcohol detoxification treatment or

inpatient emergency medical stabilization treatment. The scope of these potential liabilities far exceeded MMC's capacity or willingness to proceed with a closing. In addition, the federal government still had not reached a resolution concerning the treatment of the GME, an issue that needed to be resolved before MMC would close.

In an attempt to break the impasse among the parties, the Debtors filed a motion ("Motion in Aid of Sale") for an Order in Aid of the Sale closing authorizing the transfer of the OLM Provider Number and related OLM Provider Agreement pursuant to section 363(f), free and clear of all claims against OLM arising from pre-closing conduct, whether asserted formally or informally, currently or in the future by, *inter alia*, the United States Attorney for the Eastern District of New York on behalf of the Department of Justice ("DOJ"), Office of Health and Human Services, and the Office of the Inspector General ("OIG"), and the New York State Attorney General ("NYSAG"), Medicaid Fraud Control Unit ("MFCU") and Office of the Medicaid Inspector General ("OMIG"), including, but not limited to, the claims related to detoxification services and any other False Claims Act liabilities, and confirming that the transfer of OLM's provider number would not result in successor liability of any kind for MMC.

In response to the Motion in Aid of Sale, the federal government filed a lengthy, comprehensive objection. Among other things, the federal government asserted that a transfer of OLM's provider number could only be effectuated as an assumption and assignment under section 365 of the Bankruptcy Code and not under section 363(f).

The Debtors filed a comprehensive reply to the federal government's objection setting forth the basis as to why the transfer of a provider number was permitted under section 363(f) and that such a transfer could be made free and clear of liens and claims, including unknown claims. The Creditors' Committee joined in the reply.

In response to the Motion in Aid of Sale, New York State also filed a motion seeking authority to file a late proof of claim on account of its portion of the Detox Claim, approximately \$27 million in principal, plus trebling and penalty claims. New York State asserted that it was not provided proper notice of the claims bar date and therefore should be entitled to file a multi-million dollar claim. If allowed, New York State's Detox Claim would have substantially diluted any recoveries for unsecured creditors and because of the size of the claim, it was likely that years of litigation could ensue to resolve the claim. Accordingly, the Debtors objected to New York State's motion to file a late claim. The Creditors' Committee joined in the objection.

Throughout the process, the Debtors spearheaded negotiations and communications among the Debtors, the federal and state governments, the Creditors' Committee and MMC and participated in multiple settlement conferences between late April and the later part of June in an attempt to resolve the outstanding issues.

With an extraordinary amount of time and effort by all concerned, the Debtors reached agreements with the federal and state governments that were approved by Orders of the Bankruptcy Court in July 2008. The settlements provided,

among other things, for (a) the APA being modified to provide for the assumption, transfer and assignment of the Debtor's Medicare provider number and agreement to MMC, (b) OLM's cost reports for all cost repayment periods prior to the Sale Date were deemed administratively closed and considered finally settled, with National Government Services (Medicare's fiscal intermediary) making a \$1.2 million settlement payment to OLM, (c) OLM agreed to (i) pay \$2.35 million to the United States and (ii) \$2.15 million to New York State to resolve the Detox Claim, of which \$500,000 was funded by MMC, in exchange for, among other things, releases on certain government claims.

As a result of the settlement, the Debtors were able to consummate the Sale on July 23, 2008.

At closing, the Debtor received, subject to a post-closing true-up, a payment of \$13,388,767 after, among other things, purchase price adjustments including offsets for assumed liabilities, a purchase price escrow, post-petition financing fees, closing costs, and payment of approximately \$8.75 million in connection with the Garage Settlement Agreement (described below). The net proceeds to the Debtor was further reduced by \$4.5 million following payment of the settlement payment of the Detox Claim. On or about August 5, 2008, the Debtor received the \$1.2 million payment from the National Government Services. The remaining proceeds of the Sale, as of the Effective Date, will be used to fund the Plan.

At closing, \$1,000,000 of the purchase price was transferred into escrow in accordance with the APA. The escrowed funds are to be maintained in escrow for one year from the closing date to satisfy potential claims for indemnification by MMC under the APA. At the end of that one-year period, any remaining balance of the escrowed funds shall be returned to the Debtor's estate for distribution under the Plan.

The APA contemplates a number of post-closing purchase price adjustments including based on the results of an inventory conducted prior to the closing date, the reconciliation of various assumed liabilities, transition patient obligations, prorations, and other items. The Debtor and MMC are in the process of reconciling those purchase price adjustments and other due to/ due from obligations and it is currently expected that the Debtor will receive a post-closing adjustment in the net amount of approximately \$1.6 million. Certain of the purchase price adjustments relating to employee benefit obligations are to be adjusted at the end of the calendar year in the first quarter of 2009 although those adjustments are not expected to be significant.

2. Settlement Relating to Garage.

Included among the assets to be sold to MMC was the garage across from the hospital and the land on which the garage was built.

The Bank of New York, as successor indenture trustee (the "Indenture Trustee") for the New York City Industrial Development Agency Civic Facility Revenue Bonds, Series 1993 (the "Bonds") objected to the Sale disputing that the Debtors could sell a fee interest in the Garage to MMC.

The Garage and the property thereunder were the subject of various intercompany lease agreements, and a lease with the New York City Industrial Development Agency (“the “IDA”) and were encumbered by the IDA’s fee interest in the Garage, and leasehold interest in the realty thereunder.

The Debtors asserted that the Indenture Trustee was undersecured and thus the Debtors could satisfy its claims for less than the full amount owing under the Bonds. The Indenture Trustee argued that it was fully secured and that it had the right to credit bid up to the full amount of its claim to purchase the Garage separately from the hospital. Prior to the sale hearing, the Debtors reached an agreement to resolve these issues (the “Garage Settlement Agreement”) with the Indenture Trustee whereby, the Indenture Trustee agreed to transfer and convey its interests in the Garage and property thereunder for an estimated payment of \$9,875,000 (including funds held in trust accounts), subject to adjustment for interest accruing after July 1, 2007. Upon the closing of the Sale, MMC paid, on behalf of the Debtors, approximately \$8.75 million pursuant to the Garage Settlement Agreement. Accordingly, neither the Indenture Trustee nor the IDA have any further claims against the Debtors, and the various lease agreements were terminated.

After the payment to the IDA and sale of the Garage and the lease terminations, O.L.M. Parking ceased to have any assets that would be available for payment of prepetition claims, if any.

H. Post-Petition Financing.

1. The HFG DIP Facility.

In connection with the negotiations with MMC and prior to the Petition Date, the Debtors negotiated the terms of and prepared a motion (the “DIP Motion”) for approval of a post-petition financing agreement (the “HFG DIP Agreement”) by and among the Debtors, as borrowers, and HFG Healthcare – 4 LLC, as lender (“HFG”). The HFG DIP Agreement provided critical financing for the Debtors, up to an aggregate principal amount of \$8 million, with any amount advanced to the Debtors thereunder being secured by a senior lien on the Debtors’ accounts receivable and certain of the Debtors’ real property.

A final hearing on the HFG DIP Order was held on March 26, 2007. At the final hearing, the Debtors finalized a resolution to CIT’s objection and a separate stipulation was entered under which (a) a carve-out of \$407,000 as adequate protection for CIT was provided if there were future draws for equipment leases, (b) CIT would be paid \$104,000 or such additional amount agreed by the parties for fees and expenses, and (c) CIT was allowed a termination fee in the reduced amount of \$25,000. With that resolution, the Bankruptcy Court approved, on a final basis, the HFG DIP Order, thereby providing comfort to the Debtors, their employees and suppliers that sufficient funds were available to pay ongoing obligations pending the closing of the Sale of the Debtors’ assets.

Ultimately, the Debtors were not required to draw down on the HFG facility at any time during the course of the Chapter 11 Cases, and HFG does not hold any claims or interests against the Debtors.

I. Use of Cash Collateral and Adequate Protection

On September 20, 2007, the Bankruptcy Court entered an Order (the “B of A Order”) authorizing the use of B of A’s cash collateral arising from the Vireo and Farrand Properties and granted B of A, among other things, adequate protection, including monthly payments in an amount equal to and calculated at the applicable non-default interest rate set forth in the Amended and Restated Promissory Note, dated as of June 1, 2006, subject to further application and /or disgorgement of any adequate protection payments.

On September 27, 2007, the Bankruptcy Court entered an Order (the “Chase Order”, together with the B of A Order, the “Cash Collateral Orders”) authorizing the use of Chase’s cash collateral arising from the Vireo and Farrand Properties and granted Chase’s, among other things, adequate protection, including monthly payments in an amount equal to and calculated at the applicable non-default interest rate set forth in the Note issued to Chase, subject to further application and /or disgorgement of any adequate protection payments.

J. Executory Contracts and Unexpired Leases.

1. Assumption of Contracts and Leases. Pursuant to the APA, the Debtor assumed and assigned to MMC various executory contracts and unexpired leases, including vendor agreements and clinical trial agreements. The Debtor provided notice of and paid any necessary cure costs as part of the assumption and assignment of the assigned executory contracts.

2. Rejection of Contracts and Leases. By Order of the Bankruptcy Court, dated July 1, 2008, the Debtor obtained authority to reject various other executory contracts and unexpired leases and established procedures to reject additional contracts and leases upon notice to the counter-party. Prior to filing the motion to reject and related supplemental notices of rejection, the Debtor reviewed the contracts and leases and concluded that they had no potential value to the Debtor’s estate because the costs associated with maintaining and /or marketing such contracts and leases, in addition to the cure amounts that would be required to be paid if the contracts and leases were to be assumed and assigned, would be significantly greater than any potential value that might be realized by any future sale or sublease of such contracts and leases. By rejecting such contracts and leases, the Debtor was able to avoid accruing additional expenses in connection with such contracts and leases to maximize the return to creditors.

K. Chief Wind-Down Officer and the Board of Trustees.

Pursuant to an independent contractor agreement, dated as of February 1, 2007, with Gilbert Barnett Corporation, Mr. Gilbert Barnett has managed the day-to-day operations of OLM’s patient financial services department, including, without

limitation, overseeing the services of personnel employed by OLM in such department and operations of such department.

Upon the closing of the Sale, substantially all of the Debtor's employees became employees of MMC and the Debtor's Board of Directors was reconstituted with James Butler (a director), Daniel T. McMurray (the former Bankruptcy Court-appointed patient care ombudsman) and Mr. Barnett.

On July 15, 2008, the Bankruptcy Court entered an Order authorizing Mr. Barnett to provide services to the Debtors as their Chief Wind-Down Officer to assist the Debtors in winding down their estates prior to plan confirmation.

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

The Debtor filed its Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs on April 23, 2007 and filed an Amendment to Schedule E to the schedule of assets and liabilities for OLM for creditors holding unsecured claims. By an Order dated May 18, 2007 (the "Bar Date Order") the Bankruptcy Court fixed July 25, 2007 as the date by which most proofs of claims for prepetition claims had to be filed against the Debtor.³ 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 Debtor, their successors or assigns, and will be forever barred from asserting such Claims against the Debtor's Estate.

On September 29, 2008, the Bankruptcy Court entered an Order fixing November 10, 2008 as the last date for most holders of Claims, including malpractice and personal injury Claims, against the Debtors arising or accruing on or after the Petition Date and through July 22, 2008 to assert a claim for administrative expenses.

M. Medical Malpractice and Personal Injury Claims.

Prior to the Petition Date, the Debtor was party to several different types of malpractice and general liability insurance policies and programs. Based on the proofs of claim timely filed against the Debtor, the Debtor does not believe it has any remaining exposure on litigation claims concerning medical incidents or occurrences taking place before July 1, 1989. Accordingly, the Debtor's insurance coverage described herein includes only the insurance coverage for medical incidents and occurrences taking place on or after July 1, 1989.

³ Governmental units had until September 10, 2007 to file proofs of claim against the Debtor and, pursuant to certain stipulations, certain "Housestaff Officers" have until the earlier to occur of (i) December 31, 2008, (ii) the effective date of the Plan or (iii) 30 days after confirmation of the Plan if the injunction in Section 7.05(c) of the Plan is modified in a manner adverse to the Housestaff Officers to file proofs of claim against the Debtor for certain claims, unless further extended.

In the early 1980's, the Debtor and seven other hospitals formed Combined Coordinating Council, Inc. ("CCC"), a New York not-for-profit corporation, to assist in arranging for liability insurance to protect the hospitals and the hospitals' respective health-care professionals. The program of insurance arranged through CCC is commonly referred to as the CCC Insurance Program, or the CCC Program.

For the years implicated by the Litigation Claims, the insurance provided through the CCC Program falls into three different periods, each of which is described below. During each of the periods, the insurance provided consists of a primary "layer" and one or more excess "layers" that provide coverage after exhaustion of the primary layer limits of liability. The insurance coverage pays claims (*i.e.*, indemnity) as well as the defense costs and other expenses associated with claims (sometimes referred to as "allocated loss adjustment expenses" or "ALAE"). In each of the three periods, the CCC Program-provided insurance includes coverage for hospital professional liability ("HPL") and voluntary attending physicians professional liability ("VAP PL"). In the latter two periods, the CCC Program-provided insurance also includes coverage for hospital general liability ("HGL") and hospital employee benefits liability ("HEBL").

The limits of the insurance coverage for each of the three coverage periods are eroded as claims and ALAE are paid and committed.

The Separate Experience Account Period (July 1, 1989 – July 1, 1999). For HPL and VAP PL claims implicating the SEA Period (July 1, 1989 – July 1, 1999), a "separate experience account" ("SEA") was created for each of the CCC hospitals to track its claims activity in order to determine each hospital's insurance cost. The premiums charged to each CCC hospital – including the Debtor – were based upon actuarial projections concerning the "ultimate losses" – that is, the amounts that can be expected to be paid as respects the claims – and the time when those ultimate projected losses are expected to be paid.

The limits of insurance provided in some of the excess "layers" provided coverage "per hospital," (and its insured voluntary attending physicians ("VAPs")); in other layers, the limits are shared with the other CCC hospitals and their respective insured VAPs.

The Debtor also maintains commercial liability policies for general liability claims arising during the SEA Period. At this time, the Debtor believes that there are sufficient insurance funds available to satisfy, in full, medical malpractice and general liability claims arising during the SEA Period ("Pre 7/1/99 Insurance Litigation Claims").

The Notional Account Period (July 1, 1999 – July 1, 2004). During the Notional Account Period (July 1, 1999 – July 1, 2004), the insurance policies providing the CCC hospitals with HPL and VAP PL insurance also provides the CCC hospitals with HGL insurance, including HEBL insurance.

Unlike the SEA Period in which separate experience accounts were utilized as respects each of the CCC hospitals, the first layer of excess coverage provided to the CCC hospitals and their CCC-insured VAPs for claims implicating the

Notional Account Period is through an aggregate shared-limits component. As to this first excess layer, therefore, each of the CCC hospitals and its respective VAPs share in the same limits.

The Notional Account Period is divided into two periods with different insurance coverage. Insurance for the first period covers HPL, VAP PL, HGL and HEBL claims (and the associated ALAE) arising during the period July 1, 1999 to July 1, 2003 (the "1999/2003 Insurance Claims"). Insurance for the 1999/2003 Insurance Claims is comprised of (a) a primary layer of commercial coverage from National Union Fire Insurance Company of Pittsburgh, PA providing each of the CCC hospitals with primary insurance covering claims arising during the period July 1, 1999 to July 1, 2003 (the "National Union Primary Policy"), (b) a first layer of excess insurance shared by the other CCC hospitals and their CCC-insured VAPs, the available aggregate limits of which were \$208,448,787 as of June 30, 2008, (c) a second layer of excess insurance providing each CCC hospital and its CCC-insured VAPs with \$4 million of coverage per medical incident and in the aggregate, and (d) a third layer of excess insurance providing each CCC hospital and its CCC-insured VAPs with \$8 million of coverage per medical incident and in the aggregate. Actuarial projections indicate that the CCC hospitals' total aggregate claims could exceed the insurance available in the first excess layer.

Insurance for the second Notional Account Period provides insurance coverage for HPL, VAP PL, HGL and HEBL claims (and the associated ALAE) arising during the period July 1, 2003 to July 1, 2004 (the "2003/2004 Insurance Claims"). Insurance for the 2003/2004 Insurance Claims is comprised of (a) a primary layer of commercial coverage from National Union to cover claims for the period July 1, 2003 to July 1, 2006 (the "National Union Primary Policy") and (b) a first layer of excess insurance shared by the other CCC hospitals and their CCC-insured VAPs, the available aggregate limits of which were \$71,680,830 as of June 30, 2008, and (c) a second layer of excess insurance providing each CCC hospital and its CCC-insured VAPs with \$4 million of coverage per medical incident and in the aggregate subject to an overall \$10 million aggregate for all of the CCC hospitals and their respective CCC-insured VAPs combined. As of June 30, 2008, an aggregate limit of \$886,785 remained on the National Union Primary Policy for the period July 1, 2003 to July 1, 2006. Actuarial projections indicate that the CCC hospitals' total aggregate claims will exceed the insurance available in the first excess layer.

The CCC sent a cancellation notice purporting to cancel the available coverage for any 2003/2004 Limited Insurance Claims if lawsuits were not commenced and reported to the CCC before March 27, 2007. The Debtors contested the cancellation notice but determined that the dispute over cancellation would be moot if no claims were filed for the disputed coverage period. As of September 30, 2008, any timely filed claims falling in the disputed coverage period has been resolved (subject to documentation).

Based on current projections, as well as the stated value of the timely-filed proofs of claim implicating the Notional Account Period, the Debtor's insurance for the Notional Account Period may not be sufficient to pay the claims against the Debtor that

implicate that Period, rendering the Debtor liable for any sums above such limits, to the extent such deficiencies are not waived.

The Cell Period (July 1, 2004 – July 1, 2007). For claims arising between July 1, 2004 and July 1, 2007 (the “Cell Period”), the CCC Program insurance is provided through a “segregated cell” captive structure in which the CCC hospitals do not share insurance limits. Instead, after the exhaustion of the limits of the commercially-provided primary policy, excess insurance is provided to each of the CCC hospitals through a “cell” of a “segregated cell” captive insurer. Each CCC hospital’s excess coverage is provided solely through its own cell; each CCC hospital’s cell is funded exclusively by that hospital, the coverage provided through that cell is the only cell coverage available to that hospital, and no other hospital is entitled to coverage through that cell. To the extent funds are available in a cell after the payment of all claims for such period, the Debtor is entitled to the remaining funds.

The cell that provides the Debtor with excess coverage for each of policy years 2004/05 and 2005/06 provides a limit per medical incident and in the aggregate, inclusive of ALAE, excess of the limits provided by the primary policy. For each of the 2004/05 and 2005/06 policy years, that limit is the sum that the Debtor has paid to fund its cell for that policy year, plus investment income, which sum is the “Policy Aggregate” for that policy year. The Policy Aggregate also includes limits of liability provided to the Debtor for excess HGL and excess HEBL, and the associated ALAE. Payments in respect of HGL and HEBL erode the Policy Aggregate. In addition to the limits remaining in the National Union Primary Policy to pay claims and ALAE implicating the three-year period July 1, 2003 to July 1, 2006, as of June 30, 2008, \$4,410,176 was in the Debtor’s cell to pay claims and ALAE implicating the 2004/05 policy year, and \$2,310,030 was in the Debtor’s cell to pay claims and ALAE implicating the 2005/06 policy year.

As respects policy years 2004/05 and 2005/06, a separate policy aggregate limit for HPL only applies to the Debtor’s employed physicians. Payment of judgments, settlements and ALAE in respect of claims and suits against the Debtor’s employed physicians are to be made first from this separate policy aggregate, which may be used only in the payment of judgments, settlements and ALAE on behalf of the Debtor’s employed physicians in respect of claims and suits against them.

An additional excess policy exists for each of the 2004/05 and 2005/06 cell years. These excess policies provide limits of \$5 million per medical incident and \$10 million per hospital in the aggregate, inclusive of ALAE, subject to a \$25 million policy aggregate, inclusive of ALAE, which aggregate is shared by all of the CCC hospitals and their respective insureds under the policy. The limits are excess of a \$15 million retention, each and every medical incident, inclusive of ALAE, in respect of each hospital (the “Retained HPL Limit”). This insurance is excess coverage only; regardless of the circumstances, it applies only in excess of the Retained HPL Limit and does not drop down or provide coverage for sums that do not exceed the Retained HPL Limit.

With respect to policy year 2006/07, the Debtor maintains a primary policy for claims arising during the period July 1, 2006 to July 1, 2007. As of June 30,

2008, aggregate primary limits of \$2,993,070 remained. Excess coverage is provided through the Debtor's cell and the Policy Aggregate is the sum that the Debtor has paid to fund the cell for that policy year, plus investment income. As of June 30, 2008, \$100,084 was in the Debtor's cell to pay claims and ALAE implicating the 2006/07 policy year. The Policy Aggregate also includes limits of liability provided to the Debtor for excess HGL and excess HEBL, and the associated ALAE. Payments in respect of HGL and HEBL erode the Policy Aggregate. The Debtor's employed physicians are not insured through the Debtor's cell with respect to the 2006/07 policy year.

Based on reserves for timely-filed proofs of claim implicating the Cell Period, it is possible that there may not be sufficient insurance to pay the Litigation Claims against the Debtor implicating the Cell Period, rendering the Debtor liable for any sums above such limits, if the creditors have not otherwise waived deficiency claims against the Debtor's estate.

Self-Insurance Trust (July 1, 2007 – July 22, 2008). On June 27, 2007, the Bankruptcy Court authorized the Debtor to establish a self-insurance fund for, among other things, medical malpractice and professional liability claims arising on or after July 1, 2007. Pursuant to that Order, the Debtor funded a trust account at JPMorgan Chase, N.A. with \$2,875,143. As of June 30, 2008, approximately \$2,926,668 remained in the fund. It is possible that this fund will not have sufficient funds to satisfy all post July 1, 2007 medical malpractice and professional liability claims.

N. Mediation of Medical Malpractice and Personal Injury Claims.

On February 6, 2008, the Bankruptcy Court entered an Order approving, among other things, the implementation of a mediation program to liquidate in a systematic manner certain personal and medical malpractice injury Claims that were timely filed against the Debtor and to enjoin the commencement or continuation of certain medical malpractice actions against, among others, former employees of the Debtor (the "Mediation Order"). In accordance with the Mediation Order, Judge Ostrau, Judge Dontzin, Judge Boyers, three former New York State Supreme Court Justices were authorized as mediators and have been presiding over mediation cases assigned to them.

The claims resolution/mediation process has yielded demonstrable and concrete benefits to the Debtor's estate. To date, the Debtor has made great strides with respect to mediating and resolving personal and medical malpractice injury claims. Specifically, approximately 65 cases have been mediated and approximately 95 personal injury and medical malpractice claims have been settled (in some cases subject to further documentation) or the claimants have withdrawn their claims against the Debtor. As of September 30, 2008, such settled and withdrawn claims resolved proofs of claim with a collective asserted face value in excess of \$379 million (as well as additional unliquidated amounts). The aggregate allowed amount of settled claims held by those claimants with claims in the SEA and Notional Periods have been or will be paid by applicable insurance, with the claimant waiving any claims against the Debtor's estate. With respect to the Cell Periods, as of September 30, 2008 approximately 22 claimants have agreed to liquidate their claims, subject to

documentation and Bankruptcy Court approval provided they receive payment in full, or may opt out of the liquidated settlement amounts under certain conditions if the settlement does not provide for payment in full of the liquidated claim amount.

O. Collective Bargaining Agreements.

The Debtor was party to collective bargaining agreements with (i) 1199SEIU United Healthcare Workers East, the 1199SEIU Registered Nurse Division and the League of Voluntary Hospitals and Homes of New York (the "1199 CBA") covering the 1199SEIU bargaining units at Debtor's facility, covering registered nurses and service professionals, (ii) International Union of Operating Engineers, Local 30 (the "Local 30 CBA"), and (iii) the Committee of Interns and Residents (the "CIR CBA"). Pursuant to the APA, the 1199 CBA and the Local 30 CBA were assumed and assigned to MMC. The CIR CBA expired pursuant to its terms in October 2007 and was continued on a month-to-month basis through the Sale Date (all of OLM's interns and residents were offered employment with MMC effective as of the Sale Date).

P. Omnibus Objections to Claims.

More than \$925 million in asserted face amount of claims were timely filed against the Debtor including Litigation Claims. These claims were grossly overstated and to date the Debtor has filed seven omnibus motions objecting to claims that were improperly classified or filed or scheduled in incorrect amounts. As described above, the Debtor also has settled numerous medical malpractice and personal injury claims and permitted holders of those claims to proceed solely against insurance.

On January 21, 2008, the Debtors filed their first omnibus objection to claims (the "First Omnibus Objection"), seeking to disallow and expunge claims based upon the grounds that certain claims were duplicative of other claims, or certain claims had been amended or superseded by certain other claims. The Bankruptcy Court entered an Order granting the relief requested in the Debtors' First Omnibus Objection on February 29, 2008, resulting in the disallowance and expungement of 22 claims aggregating more than \$72.5 million, including approximately \$72 million of unliquidated claims asserted by malpractice and personal injury claimants.

On March 27, 2008, the Debtors filed their second omnibus objection to claims (the "Second Omnibus Objection") in which the Debtors sought to clarify that certain claims filed by creditors superceded claims that had been scheduled by the same creditors where there was a discrepancy in creditor claim information. The Bankruptcy Court entered an Order granting the relief requested in Debtors' Second Omnibus Objection on May 7, 2008, resulting in the disallowance and expungement of 80 scheduled claims aggregating approximately \$11,970,000.

On April 18, 2008, the Debtors filed their third omnibus objection to claims (the "Third Omnibus Objection"). The Debtors objected to the claims in the Third Omnibus Objection seeking to reduce and/or disallow and expunge certain claims that had been satisfied in whole or in part, as a result of payments made in connection with first-day orders or in the ordinary course on account of administrative claims. The Bankruptcy Court entered an Order granting the relief requested in Debtors' Third

Omnibus Objection on June 11, 2008, resulting in the reduction of 11 claims and the disallowance of five claims aggregating approximately \$54,200.

On April 18, 2008, the Debtors filed their fourth omnibus objection to claims (the "Fourth Omnibus Objection") pursuant to which the Debtors sought to reduce or expunge certain scheduled claims that had been satisfied, in whole or in part, or for which the Debtors determined were otherwise in excess of the amounts properly due and owing on account of such claims. The Bankruptcy Court entered an Order granting the Debtors' Fourth Omnibus Objection on June 11, 2008, resulting in (a) the reduction of 27 scheduled claims by approximately \$195,935, (b) the disallowance and expungement of 17 scheduled claims aggregating approximately \$749,032, and (c) amending one claim scheduled in the amount of approximately \$206,344 to \$0.

On May 20, 2008, the Debtors filed their fifth omnibus objection to claims (the "Fifth Omnibus Objection") pursuant to which the Debtors sought to reclassify and reduce certain scheduled claims that had been satisfied, in whole or in part, or for which the Debtors determined were otherwise in excess of the amounts properly due and owing on account of such claims. The Bankruptcy Court entered an Order granting the Debtors' Fifth Omnibus Objection on June 25, 2008, reclassifying to general unsecured claims or reducing more than \$46,000 of asserted priority claims.

On September 24, 2008, the Debtors filed their sixth omnibus objection to claims (the "Sixth Omnibus Objection") pursuant to which the Debtors sought to expunge more than \$1.6 million of scheduled and filed claims that were satisfied in connection with the assumption and assignment by MMC of contract and lease agreements under the APA. A hearing on the Sixth Omnibus Objection is scheduled for November 5, 2008.

On October 3, 2008, the Debtors filed their seventh omnibus objection to claims (the "Seventh Omnibus Objection") pursuant to which the Debtors sought to disallow, expunge, reduce or reclassify more than \$100,000 of claims that were filed as secured or priority claims. A hearing on the Seventh Omnibus Objection is scheduled for November 5, 2008.

The Debtor continues to review and analyze all claims and will be filing additional objections to such claims. Upon the Effective Date, the Plan Administrator and the Creditors' Committee will continue to review and analyze the filed claims as required and file objections to claims where appropriate.

Q. Liquidation of Accounts Receivable.

Pursuant to the APA with MMC, the Debtor's accounts receivables were excluded assets and not sold to MMC. As such, after the Sale with MMC closed, the Debtor's accounts receivable remained to be collected by the Debtor.

To maximize recoveries for the Debtor's creditors, prior to the Sale closing with MMC, the Debtor and the Creditors' Committee agreed that the Debtor should seek to retain an outside firm to collect to the accounts receivables not already outsourced for collection in the ordinary course. In connection therewith, the Debtor

sought and obtained proposals from four companies with experience collecting accounts receivable, including medical receivables.

After consulting with the Creditors' Committee, the Debtor determined that Jzanus, Ltd. ("Jzanus") submitted the best proposal given the terms of the proposal and Jzanus's experience in the healthcare industry and receivable collections. Thereafter, the Debtor and the Creditors' Committee participated in arms-length negotiations over several months to finalize and document the terms of Jzanus's engagement. On June 12, 2008, the Debtor filed a motion seeking authority to enter into the agreement with Jzanus. On July 1, 2008, the Bankruptcy Court entered an order authorizing the Debtor to enter into the proposed agreement with Jzanus.

As of August 31, 2008, Jzanus has recovered in excess of \$13.1 million of accounts receivable, and the Debtor anticipates that additional accounts receivable collections and the aggregate of all net accounts receivable to be collected after August 31, 2008 will be in the range of \$10.8 million to \$13.3 million; of course this is an estimate only and not a guarantee of collectibility.

R. Records Storage

The Debtor transferred custody of its patient medical records dating from 2007 and 2008 to MMC pursuant to a Medical Records Storage and Custody Agreement dated as of July 23, 2008. The Debtor is currently storing patient medical records prior to 2007 with a record storage company called Medrex. Medrex currently has instructions to destroy medical records that are older than the medical record maintenance periods required by applicable law. Patient accounting records are electronic. Certain patient accounting records necessary to collect outstanding accounts receivable are stored with Jzanus. As to patient accounting records generally, applicable law and an agreement with the Centers for Medicare and Medicaid Services require that these records be maintained for seven (7) years. The Debtor currently plans to store the past seven (7) years' records for five (5) years at OLM's cost and, for the next two (2) years, with MMC at MMC's cost. Certain other records are being stored by MMC at their cost including: pathology records, mammography, radiology, EEG, fetal tracings, electronic clinical laboratory records, Last Word database (patient demographics), cost report records for 2003 to present, quality assurance and utilization review, survey records, IRB records for open studies, employee health records for employees maintained by MMC, personnel records, workers compensation records, current medical staff and resident records, and Cancer Registry database. Other records will be disposed of by the Debtor as permitted by law or further Order of the Bankruptcy Court.

S. Distributions Prior to the Effective Date.

As discussed above, prior to the Effective Date, substantially all of the Debtor's Assets will have been liquidated and converted to Cash and will be distributed in a manner described in the Plan. As described above, as of the date of this Disclosure Statement, the Debtor has paid in full or otherwise satisfied the pre-petition secured obligations owing to MMC, the IDA, and CIT and the post-petition secured obligations owing to HFG and the IDA. In addition, substantially all of the Debtor's employees that

had been scheduled as holding priority claims have had their claims satisfied in the ordinary course or through the assumption by MMC of employee benefit obligations under the APA.

The Debtor also continues to pay post-petition obligations in the ordinary course.

T. Avoidance Actions.

The Debtor, together with the Creditors' Committee's advisors, will be conducting an analysis of potential avoidance actions that are available to the Debtor under Chapter 5 of the Bankruptcy Code or otherwise. Where appropriate, the Debtor, by the Plan Administrator, will commence actions to recover avoidable pre-petition transfers (or achieve potential Claim reductions under section 502(d) of the Bankruptcy Code). The Debtor's recoveries from these avoidance actions may increase cash available for the benefit of the Debtor's unsecured creditors.

A non-exhaustive list setting forth a schedule of persons or entities that received payments in excess of \$5,000 during the 90 days prior to the Petition Date is attached as Exhibit "3." Payments made during the 90 days prior to the Petition Date may be subject to preference actions.

U. Vireo and Farrand Buildings

Currently, the Vireo and Farrand Buildings are being occupied by MMC in accordance with one-year lease agreements that extend through July 22, 2009.

In May 2008, Glastonbury engaged Friedland Realty, Inc. ("Friedland") as a broker to assist with marketing the Vireo Building for possible sale. Friedland obtained an offer of \$4.5 million. Glastonbury requested that the Debtors move in the Bankruptcy Court for an order authorizing the sale of the Vireo Building, with the buyer as the stalking horse, subject to higher and better offers, and to retain Friedland to continue its efforts to obtain such offers. To facilitate the sale, Glastonbury agreed that the reasonable and necessary costs and expenses of selling the Vireo Building may be recovered from the sale proceeds by Friedland and the Debtors' professionals ahead of Glastonbury's mortgage lien, pursuant to Bankruptcy Code section 506(c). On September 23, 2008, the Bankruptcy Court entered the 506(c) Stipulation.

The 506(c) Stipulation provides that subject to the Bankruptcy Court's approval, the Debtors will seek to sell, assign, transfer or convey OLM's interest in the Vireo Building, free and clear of all liens, claims and encumbrances (other than Montefiore's rights as tenant unless Montefiore otherwise agrees), but with all such liens, claims and encumbrances to attach to the proceeds of the sale. Any such sale of the Vireo Building for an amount less than \$4,000,000 will be subject to Glastonbury's prior written consent.

Under the 506(c) Stipulation, the proceeds of sale of the Vireo Building will be disbursed in the following order: (a) payment in full of the allowed amount of Lehman's senior mortgage lien on the Vireo Building; (b) payment of all necessary and

appropriate brokerage fees and commissions relating to the sale of the Vireo Building, provided that such brokerage fees and commissions are awarded by the Bankruptcy Court following application on notice and hearing as appropriate; (c) payment of all necessary fees and expenses incurred by the Debtors' professionals in connection with the sale of the Vireo Building, provided that such fees and expenses are awarded by the Bankruptcy Court following application on notice and hearing as appropriate; (d) payment in full of Glastonbury's junior mortgage lien on the Vireo Building; (e) payment in full of any other liens on the Vireo Building to the extent of the validity and priority of such liens; and (f) any remaining sale proceeds to OLM's estate.

Further, so that the Debtors' chapter 11 estates do not incur any cost or expense in connection with the proposed sale of the Vireo Building, Glastonbury guaranteed and agreed to pay all necessary fees and expenses incurred by the Debtors (namely Friedland and the Debtors' professionals) in connection with the sale of the Vireo Building, subject to allowance by the Bankruptcy Court, (a) to the extent the proceeds of sale are insufficient to satisfy, in full, the allowed amount of Lehman's senior mortgage lien, approved brokerage fees and commissions, and such professional fees and expenses, or (b) if the sale does not close for any reason, including that Glastonbury does not consent.

Efforts are underway to solicit offers on the Vireo and Farrand Properties.

V. OLM Ambulatory

OLM Ambulatory was not a debtor in these chapter 11 cases, MHS remains the sole member of OLM Ambulatory. OLM Ambulatory d/b/a Montefiore North Ambulatory Center, Inc. continues to provide healthcare services to the community.

IV. SUMMARY OF THE PLAN

A. Overview of 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 Debtor, 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.

B. Summary of Classification and Treatment of Claims Under the Plan.

Claims are divided into five Classes under the Plan, and the proposed treatment of Claims varies among Classes. Administrative Claims and Priority Tax Claims are not classified. The Plan contains (i) two Classes of unimpaired Claims, which consist of Secured Claims and Priority Claims (Classes 1 and 2) and (ii) three Classes of impaired Claims which consist of Class 3 General Unsecured Claims, Class 4 Litigation Claims and Class 5 Subordinated Claims. The meaning of "Impairment," and

the consequences thereof in connection with voting on the Plan, are set forth in this Article III and Article XII of the Disclosure Statement.

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

Unclassified Claims

1. General. Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Debtor are not classified for purposes of voting on, or receiving distributions under, the Plan, and the holders of such unclassified Claims are thus not entitled to vote to accept or reject the Plan. All such Claims are instead treated separately in accordance with Article IV of the Plan and the requirements set forth in section 1129(a)(9)(A) of the Bankruptcy Code.

2. Administrative Claims. An Administrative Claim is defined in the Plan and means any Claim under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation: (a) the actual, necessary costs and expenses incurred by the Debtor after the Petition Date of preserving the Estate or operating the business of the Debtor, (b) Professional Fee Claims, (c) U.S. Trustee fees, and (d) any Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court. The Debtor estimates that the amount of accrued but unpaid Administrative Claims will be in the range of approximately \$3.4 million to \$7.3 million (excluding Professional Fee Claims).

Subject to the Bar Date and other provisions in the Plan and except to the extent the Debtor, or the Plan Administrator, as applicable, and the holder of an Allowed Administrative Claim agree to different and less favorable treatment, the Plan Administrator shall pay, in full satisfaction and release of such Claim, to each holder of an Allowed Administrative Claim, Cash, in an amount equal to such Allowed Administrative Claim, on the later of (i) the Effective Date and (ii) the first Business Day after the date that is thirty (30) calendar days after the date on which such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable. Allowed Administrative Claims (other than Professional Fee Claims) shall be paid (i) first, from the funds in the Administrative Claims Fund, and (ii) second, from Available Cash; provided, however, if insurance or trust proceeds are available to pay an Allowed Administrative Claim, such Allowed Administrative Claim will be paid first from such insurance or trust proceeds.

3. Estimation of Administrative Claims. The Debtor and the Plan Administrator reserve the right, for purposes of allowance and distribution, to seek to estimate any unliquidated Administrative Claim, if the fixing or liquidation of such Administrative Claim would unduly delay the administration of and distributions under the Plan (including seeking to estimate post-petition medical malpractice or personal injury Claims in the District Court).

4. Administrative Bar Date.

(a) General Provisions. Except as provided below for (1) Professionals requesting compensation or reimbursement for Professional Fee Claims, and (2) U.S. Trustee Fees, requests for payment of Administrative Claims, for which a Bar Date to File an Administrative Claim was not previously established, must be Filed no later than thirty (30) days after notice of entry of the Confirmation Order is filed with the Bankruptcy Court or such later date as may be established by order of the Bankruptcy Court. **Holders of Administrative Claims who are required to File a request for payment of such Claims and who do not File such requests by the applicable Bar Date, shall be forever barred from asserting such Claims against the Debtor, the Plan Administrator or their respective property, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Administrative Claim.**

(b) Professionals. All Professionals or other Persons requesting compensation or reimbursement of Professional Fee Claims for services rendered before the Effective Date (including compensation requested by any Professional or other entity for making a substantial contribution in the Chapter 11 Case) shall File an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. Objections to applications of Professionals or other entities for compensation or reimbursement of expenses must be Filed no later than sixty (60) days after the Effective Date. All compensation and reimbursement of expenses allowed by the Bankruptcy Court shall be paid to the applicable Professional or other entities requesting compensation or reimbursement of Professional Fee Claims by the Plan Administrator immediately thereafter. Each Professional or other Person that intends to seek payment for compensation or reimbursement of expenses from the Debtor (including compensation requested by any Professional or other Person for making a substantial contribution in the Chapter 11 Case) shall provide the Debtor with a statement, by no later than the Confirmation Date, of the amount of estimated unpaid fees and expenses accrued by such Professional up to the date of such statement, the amount of fees and expenses that each such Professional expects to incur from such date through the Effective Date, and the amount of fees and expenses that each such professional expects to incur from such date in connection with the preparation and prosecution of each such professional's final fee application. The Debtor estimates that the amount of accrued but unpaid Professional Fee Claims as of August 31, 2008 is approximately \$1.2 million.

(c) U.S. Trustee Fees. The Debtor or the Plan Administrator, as the case may be, shall pay all U.S. Trustee Fees, in accordance with the terms of the Plan, until such time as the Bankruptcy Court enters a final decree closing the Debtor's Chapter 11 Case.

(d) Priority Tax Claims. Priority Tax Claims are claims of a kind specified in section 507(a)(8) of the Bankruptcy Code. Except to the extent the Debtor, or the Plan Administrator, as applicable, and the holder of an Allowed Priority Tax Claim agree to a different treatment, the Plan Administrator, at its sole option, shall pay, in full satisfaction and release of such Claim, to each holder of a Priority Tax Claim, (a) Cash, in an amount equal to such Allowed Priority Tax Claim, on the later of (i) the

Effective Date and (ii) the first Business Day after the date that is thirty (30) calendar days after the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable. The Debtor estimates that the amount of accrued but unpaid Priority Tax Claims is in the range of approximately \$0 to \$32,000.

Classified Claims

1. (a) Class 1: Secured Claims. Secured Claims consist of any Claim secured by a Lien on any Asset of the Debtor, or right of setoff, which Lien or right of setoff, as the case may be, is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable nonbankruptcy law, but only to the extent of the value, pursuant to section 506(a) of the Bankruptcy Code, of any interest of the holder of the Claim in property of the Estate securing such Claim. Holders of Allowed Claims in Class 1 are not Impaired under the Plan. Each holder of an Allowed Secured Claim is conclusively presumed to accept the Plan under section 1126(f) of the Bankruptcy Code and is therefore not entitled to vote to accept or reject the Plan in its capacity as a holder of such Claim.

At the sole option of the Plan Administrator, and with the exception of the treatment of the liens on the Vireo and Farrand Properties, on the later of (i) the Effective Date, and (ii) for Claims in Class 1 that were Disputed Claims on the Effective Date and have thereafter become Allowed Secured Claims, the Distribution Date immediately following the date upon which such Claims became Allowed Secured Claims, or as soon thereafter as is practicable, holders of each such Allowed Secured Claim shall receive: (1) the Collateral securing such Allowed Secured Claim; or (2) Cash in an amount not to exceed the amount of such Allowed Secured Claim, equal to the proceeds actually realized from the sale of any Collateral securing such Allowed Secured Claim, less the actual costs and expenses of disposing of such Collateral; or (3) such other treatment as may be agreed upon by the Plan Administrator and the holder of an Allowed Secured Claim, or as may otherwise be provided in the Bankruptcy Code, provided that the holder of such Allowed Secured Claim will not receive more than the value of the Collateral securing such Claim. In the event that the Plan Administrator elects, pursuant to option (1) above, to distribute to the holder of an Allowed Secured Claim, the Collateral securing such Allowed Secured Claim, the holder of such Allowed Secured Claim may request that the Plan Administrator attempt to sell the Collateral securing the Allowed Secured Claim. In the event that the Plan Administrator honors such a request and attempts to sell such Collateral securing such Allowed Secured Claim, all expenses relating thereto, including, but not limited to, storage expenses, shall be borne by the holder of the Allowed Secured Claim. Notwithstanding the foregoing, the Plan Administrator retains the right to decline to honor a request by the holder of an Allowed Secured Claim to attempt to sell such Collateral.

Lehman, the first lienholder, and Glastonbury, the second lienholder on both the Vireo and Farrand Properties, will continue to receive the adequate protection payments provided for under their respective Cash Collateral Orders through the termination of the leases by and between the Debtor and MMC for the Vireo and Farrand Properties (the "Leases", and individually the "Vireo Lease" and the "Farrand Lease") on July 23, 2009 or such earlier termination date as may be agreed to by the Debtor or the Plan Administrator and MMC. Upon termination of the Leases, (i)

Lehman and Glastonbury will be afforded the treatment set forth in the preceding paragraph on account of their Allowed Secured Claims, or (ii) the Debtor or the Plan Administrator will consent to the termination of the automatic stay pursuant to section 362(a) of the Bankruptcy Code, and any other stay imposed by the Plan, the Confirmation Order or otherwise, and the parties holding Secured Claims against the Vireo and/or Farrand Properties, including Lehman and Glastonbury, shall be free to pursue their rights under their respective loan documents, mortgages, security agreements and applicable state law.

Any disposition of the Vireo and Farrand Properties shall be on notice to the Secured Claim holders and all other parties entitled to notice, including the Creditors' Committee, Lehman, Glastonbury and DASNY. The rights, claims, and defenses of all parties in interest including the Debtor, the Plan Administrator, the Creditors' Committee, Lehman and Glastonbury under the applicable loan documents, the Bankruptcy Code and Bankruptcy Rules, and applicable nonbankruptcy law are preserved.

The Debtor believes that the only creditors, other than Lehman and Glastonbury, holding Claims that may be Allowed as Secured Claims are: (a) CCC Insurance Company Ltd. and CCC Insurance Corporation which each assert a security interest in "Class A Common Shares of CCC LTD" owned by the Debtor, and (b) HSBC which is secured by certain bank accounts in connection with a letter of credit. The Debtor believes DASNY is wholly undersecured. If recoveries from the Vireo and Farrand Properties exceed the amounts owing to Lehman and Glastonbury, DASNY is entitled to the excess proceeds up to the value of any valid, perfected, non-avoidable and enforceable security interest that DASNY may have in the Vireo and Farrand Properties.

To the extent that the value of the Collateral securing each Allowed Secured Claim is less than the amount of such Allowed Secured Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as a General Unsecured Claim and shall be classified as such.

Class 1 consists of separate subclasses each based on the underlying property securing such Allowed Secured Claims and each subclass is treated as a distinct Class for treatment and distribution purposes and for all other purposes under the Bankruptcy Code.

The Debtor estimates the total amount of Allowed Claims, other than Lehman, Glastonbury, the CCC entities and DASNY in Class 1 to be in the range of approximately \$0 to \$150,000.

2. Class 2: Priority Claims. Priority Claims consist of any Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than (a) an Administrative Claim, or (b) a Priority Tax Claim. Holders of Allowed Claims in Class 2 are not Impaired under the Plan. Each holder of an Allowed Priority Claim is conclusively presumed to accept the Plan under section 1126(f) of the Bankruptcy Code and is therefore not entitled to vote to accept or reject the Plan in its capacity as a holder of such Claim.

Each holder of an Allowed Priority Claim shall receive Cash in an amount equal to the amount of such Allowed Priority Claim first from the Administrative Claims Fund to the extent funds remain after payment of Allowed Administrative Claims and second from Available Cash on the later of (i) the Effective Date, or (ii) for Claims in Class 2 that were Disputed Claims and have become Allowed Priority Claims, the Distribution Date immediately following the date upon which such Claims became Allowed Priority Claims, or as soon thereafter as is practicable.

The Debtor estimates that the total amount of Allowed Claims in Class 2 to be in the range of approximately \$0 to \$32,000.

3. Class 3: General Unsecured Claims. General Unsecured Claims consist of any unsecured Claim that is not on Administrative Claim, a Professional Fee Claim, a Priority Tax Claim, a Secured Claim, a Priority Claim, a Litigation Claim, or a Subordinated Claim. Holders of Claims in Class 3 are Impaired under the Plan. Each holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan in its capacity as a holder of such General Unsecured Claim. On the Effective Date, or as soon thereafter as reasonably practicable, but in no event earlier than the Administrative Claims Bar Date established in the Confirmation Order, each holder of an Allowed General Unsecured Claim shall receive, on account of its Allowed General Unsecured Claim, its Ratable Share of Available Cash. Ratable Shares of Available Cash in respect of Disputed General Unsecured Claims shall be held in the applicable Disputed Claims Reserve Account pursuant to the Plan until such time that disputes involving such Disputed Claims have been resolved.

Notwithstanding any other provision of the Plan, holders of Allowed General Unsecured Claims shall not be entitled to receive any payment of Cash on account of Allowed General Unsecured Claims until the holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Secured Claims, and Allowed Priority Claims have received payment in full on account of such Allowed Claims or such Allowed Claims have been reserved for in accordance with the Plan, and any Disputed Claims have been reserved for in accordance with the Plan.

The Debtor estimates that the total amount of Allowed Claims in Class 3 to be in the range of approximately \$46.6 million to \$53.1 million (including deficiency Claims in Class 4 that may be treated as Class 3 Claims).

4. Class 4: Litigation Claims.

(a) Class 4 Treatment. Litigation Claims consist of pre-petition Claims relating to hospital or medical malpractice or personal injury Claims.

(i) Each holder of a timely or deemed timely Filed Litigation Claim may elect to be granted relief from the automatic stay imposed under section 362(a) of the Bankruptcy Code to litigate such holder's Litigation Claim in state court provided that, if such election is made, any recovery on account of such Litigation claim shall be limited to the Debtor's applicable insurance. In addition, each holder of a Litigation Claim shall be deemed to limit any recovery against any Housestaff Officer for claims that would entitle a Housestaff Officer to a Housestaff Claim to the Debtor's

applicable insurance or other available insurance maintained by such Housestaff Officer.

The recovery on Allowed Pre 7/1/99 Insurance Litigation Claims shall be limited to the Debtor's insurance policies covering Allowed Pre 7/1/99 Insurance Litigation Claims.

The recovery on Allowed 1999/2003 Limited Insurance Litigation Claims shall be limited to 1999/2003 Insurance.

The recovery on Allowed 2003/2004 Limited Insurance Litigation Claims shall be limited to 2003/2004 Insurance.

The recovery on Allowed 2004/2005 Cell Claims shall be limited to 2004/2005 Insurance.

The recovery on Allowed 2005/2006 Cell Claims shall be limited to 2005/2006 Insurance.

The recovery on Allowed 2006/2007 Cell Claims shall be limited to Prepetition 2006/2007 Insurance. The Plan defines Prepetition 2006/2007 Insurance as the amount of available insurance for the policy period only after the payment of Pre-July 2007 Administrative Expense Litigation Claims. Thus, holders of Allowed 2006/2007 Cell Claims will not be entitled to recover from insurance until all post-petition litigation claims for the period March 8, 2007 to July 1, 2007 have been resolved. The Debtor believes this allocation of insurance will maximize recoveries for the Debtor's unsecured creditors.

(ii) Any holder of a Litigation Claim, for which a proof of claim was timely Filed (or deemed timely Filed), that does not elect the treatment under Section 5.04(a)(i) of the Plan shall have such holder's Litigation Claim estimated by the District Court pursuant to section 502(c) of the Bankruptcy Code together with any vicarious or other liability the Debtor may have on account of a Housestaff Claim related to such Litigation Claim. To the extent the Debtor's applicable insurance (as outlined in Section 5.04(a)(i) of the Plan) is not sufficient to pay the estimated amount of any Allowed Litigation Claim as estimated by the District Court, the holder of such estimated Allowed Litigation Claim shall have an Allowed General Unsecured Claim in Class 3 for any deficiency. In addition, Section 7.05 of the Plan provides for an injunction limiting certain recoveries against Housestaff Officers to available insurance coverage.

If the holder of a Class 4 Litigation Claim elects the treatment under Section 5.04(a)(i) to have the automatic stay lifted, such election will be binding on such holder regardless of whether Class 4 accepts the Plan, provided that the Plan is confirmed and the Effective Date occurs. In addition, nothing contained in Section 5.04(a) of the Plan shall alter, modify, limit or impair the provisions of those "So Ordered" stipulations and orders lifting the automatic stay, resolving litigation claims and limiting recoveries to available insurance; such stipulations will remain in full

(e) Corporate Action. The Plan will be administered by the Plan Administrator and all actions taken under the Plan in the name of the Debtor shall be taken through the Plan Administrator. 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 Bankruptcy Court (which may be included in the application for the entry of the final decree), the Debtor shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of the Debtor or payments to be made in connection therewith, provided, however, that the Debtor may, but will not be required to, take appropriate action to dissolve under applicable law. From and after the Effective Date, the Debtor shall not be required to file any document, or take any action, to withdraw their business operations from any states where the Debtor previously conducted business.

(f) Winding Up Affairs. Following the Effective Date, the Debtor shall not engage in any business or take any actions, except those necessary to consummate the Plan and wind up the affairs of the Debtor. On and after the Effective Date, the Plan Administrator may, in the name of the Debtor and in consultation with the Creditors' Committee, take such actions without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than the restrictions imposed by the Plan or the Confirmation Order.

(g) Power and Duties of the Plan Administrator. The Plan Administrator will act for the Debtor in a fiduciary capacity as applicable to a board of directors or trustees, subject to the provisions of the Plan. The powers and duties of the Plan Administrator will be substantially similar to the powers and duties of the Debtor's current Chief Wind-Down Officer. The powers and duties of the Plan Administrator shall include, without the necessity of a further Order of the Bankruptcy Court:

(i) investing Cash in accordance with section 345 of the Bankruptcy Code, and withdrawing and making Distributions of Cash to holders of Allowed Claims and paying taxes and other obligations owed by the Debtor or incurred by the Plan Administrator in connection with the wind-down of the Estate, from the Expense Reserve, the Administrative Claims Fund, and Available Cash in accordance with the Plan;

(ii) subject to the approval of the Creditors' Committee (which approval shall be unreasonably withheld), engaging attorneys, consultants, agents, employees and all professional persons, to assist the Plan Administrator with respect to the Plan Administrator's responsibilities;

(iii) executing and delivering all documents, and taking all actions, necessary to consummate the Plan and wind down the Debtor's business;

(iv) assisting with reconciliations and purchase price adjustments under the Asset Purchase Agreement (the "APA");

- (v) assisting with the Debtor's continued performance obligations under the APA post-closing;
- (vi) coordinating the turnover of property, if any, subject to rejected executory contracts or abandonment or liquidation of any retained assets;
- (vii) coordinating the collection of outstanding accounts receivable;
- (viii) coordinating the storage and maintenance of the Debtor's books and records to the extent not transferred pursuant to the Sale;
- (ix) overseeing compliance with the Debtor's accounting, finance and reporting obligations;
- (x) preparing monthly operating reports and financial statements and United States Trustee quarterly reports;
- (xi) overseeing the filing of final tax returns, audits, ICR Certification and other corporate dissolution documents if required;
- (xii) performing any additional corporate actions as necessary to carry out the wind down and liquidation of the Debtor;
- (xiii) regularly communicating with the Creditors' Committee's financial advisor and responding to inquiries from the Creditors' Committee's financial advisor;
- (xiv) providing to the Creditors' Committee's financial advisor regular cash budgets, information on all disbursements on a weekly basis, and copies of bank statement on a monthly basis;
- (xv) subject to the approval of the Creditors' Committee (which approval shall be unreasonably withheld), paying the fees and expenses of the attorneys, consultants, agents, employees and professional persons engaged by the Debtor, the Plan Administrator and the Creditors' Committee and to pay all other expenses for winding down the affairs of the Debtor in accordance with a wind-down budget, or as otherwise agreed to by the Plan Administrator, and in the event of a dispute that cannot be resolved, the parties shall seek to resolve such dispute in the Bankruptcy Court;
- (xvi) subject to the approval of the Creditors' Committee (which approval shall not be unreasonably withheld), disposing of, and delivering title to others of, or otherwise realizing the value of all the remaining Assets;
- (xvii) subject to the approval of the Creditors' Committee (which approval shall be unreasonably withheld), objecting to, compromising and settling Claims;

(xviii) acting on behalf of the Debtor 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 Creditors' Committee (which approval shall be unreasonably withheld), to settle, retain, enforce, dispute or adjust any claim and otherwise pursue actions involving Assets of the Debtor that could arise or be asserted at any time under the Bankruptcy Code, unless otherwise waived or relinquished in the Plan;

(xix) implementing and/or enforcing all provisions of the Plan; and

(xx) 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 needed or appropriate to carry out the provisions of the Plan.

(h) Appointment of the Plan Administrator. The Confirmation Order shall provide for the appointment of Gilbert Barnett, the Debtor's current Chief Wind-Down Officer, as the Plan Administrator. The compensation for the Plan Administrator shall be \$100 per hour, subject to the review and approval of the Creditors' Committee. The Plan Administrator shall be deemed the Estate's 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.

D. Distributions to Holders of Claims.

1. Estimation of Claims. The Plan Administrator may, at any time, request that the Bankruptcy Court (or the District Court with respect to Litigation Claims) 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 Debtor 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; and the Bankruptcy Court (or the District Court with respect to Litigation Claims) will retain jurisdiction to estimate any Claim pursuant to section 502(c) of the Bankruptcy Code at any time prior to the time that such Claim becomes an Allowed Claim. In the event that the Bankruptcy Court (or the District Court with respect to Litigation Claims) 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 the District Court with respect to Litigation Claims). 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 the District Court with respect to Litigation Claims) and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court, or the District Court, as applicable.

2. No Recourse. Notwithstanding that the allowed amount of any particular Disputed 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 Debtor, the Estate, the Plan Administrator, the Creditors' Committee 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.

THE ESTIMATION OF CLAIMS AND ESTABLISHMENT OF RESERVES UNDER THE PLAN MAY LIMIT THE DISTRIBUTION TO BE MADE ON INDIVIDUAL DISPUTED CLAIMS IF THE ESTIMATION IS MADE SOLELY FOR THE PURPOSE OF ESTIMATING A MAXIMUM LIABILITY FOR RESERVE PURPOSES, REGARDLESS OF THE AMOUNT FINALLY ALLOWED ON ACCOUNT OF SUCH DISPUTED CLAIMS.

3. Resolution of Disputed Claims. No Distribution or payment shall be made on account of a Disputed Claim until such Disputed Claim becomes an Allowed Claim. 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 Debtor 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 the Disputed Claims Reserve Account as if it were a Disputed Claim.

4. Objections to Claims. Unless otherwise ordered by the Bankruptcy Court, on and after the Effective Date, the Plan Administrator and the Creditors' Committee shall have the exclusive right to make, file and prosecute objections to and settle, compromise or otherwise resolve Disputed Claims, except that as to applications for allowances of Professional Fee Claims, objections may be made in accordance with the applicable Bankruptcy Rules by parties-in-interest. Subject to further extension by the Bankruptcy Court, the Plan Administrator or the Creditors' Committee, as applicable, shall file and serve a copy of each objection upon the holder of the Claim to which an objection is made on or before the latest to occur of: (i) one hundred-twenty (120) days after the Effective Date, (ii) thirty (30) days after a request for payment or proof of claim is timely Filed and properly served upon the Plan Administrator and the Creditors' Committee, or (iii) such other date as may be fixed by the Bankruptcy Court either before or after the expiration of such time periods. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the claimant if the Plan Administrator or the Creditors' Committee, as applicable, effects service in any of the following manners (A) in accordance with Federal Rule of

Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (B) by first-class mail, postage prepaid, on the signatory of the proof of claim or other representative identified in the proof of claim or any attachment thereto at the address of the creditor set forth therein; or (C) by first-class mail, postage prepaid, on any counsel that has appeared on the claimant's behalf in the Chapter 11 Case. From and after the Effective Date, the Plan Administrator, in consultation with, and subject to the approval of, the Creditors' Committee, may settle or compromise any Disputed Claim or avoidance action under chapter 5 of the Bankruptcy Code pursuant to the terms of the Plan, subject to the approval of the Bankruptcy Court.

5. Distributions when a Disputed Claim Becomes an Allowed Claim; or when a Disputed Claim is Subsequently Disallowed. On the next Distribution Date following the time upon which a Disputed Claim is ultimately Allowed, holders of such Claims shall receive from the applicable Disputed Claims Reserve Account any amounts held in such Disputed Claims Reserve Account attributable to the Allowed amount of such Claim, as set forth in the Plan. Any Cash Distributions held in the applicable Disputed Claims Reserve Account for the benefit of a holder of a Disputed Claim, which is subsequently disallowed, in whole or in part, shall be distributed on the next Distribution Date, on a Ratable basis to holders of Allowed Class 3 (including Class 4 deficiency Claims under Section 5.04(a)(ii) of the Plan that are to be treated as Allowed Class 3 Claims) and to any applicable Disputed Claims Reserve Account on account of any Disputed Claims as if such amounts had been distributed on the Effective Date.

6. Resolution of Disputed Litigation Claims. All holders of timely-Filed or deemed timely-Filed Litigation Claims shall be deemed Allowed Litigation Claims for voting purposes only and shall be entitled to one vote in the amount of \$1.00 on account of such Litigation Claim. For all other purposes under the Plan, all Litigation Claims not previously Allowed shall be considered to be Disputed Claims as of the Effective Date such that no objection to a Litigation Claim is required to be filed. The terms and conditions of the Mediation Orders, and the Mediation Program authorized and implemented thereunder, shall continue in effect until all of the Litigation Claims have been mediated (other than the Litigation Claims that are to be afforded the treatment under Section 5.04(a)(i) of the Plan or treatment otherwise agreed to by the holder of the Litigation Claim and the Plan Administrator). The Plan Administrator and the Creditors' Committee shall have the right to the exclusion of all others to make, file, and prosecute objections to Litigation Claims in a forum of appropriate jurisdiction. After proceeding with mediation, all Litigation Claims that are not to be afforded the treatment under Section 5.04(a)(i) of the Plan shall be estimated by the District Court pursuant to section 502(c) of the Bankruptcy Code, except to the extent that the Plan Administrator and a holder of the Litigation Claim compromise, settle or otherwise resolve the respective Litigation Claim, in which event they may settle, compromise or otherwise resolve such Litigation Claim, subject to the approval of the Creditors' Committee and the Bankruptcy Court, provided, however, the Bankruptcy Court shall have the jurisdiction to hear and rule on objections to Litigation Claims based on (i) timeliness of the proof of claim, (ii) failure to prosecute, (iii) failure to mediate in accordance with the Mediation Order, (iv) whether a proof of claim set forth sufficient facts necessary to be *prima facie* valid, or (v) other non-merit based objections.

7. Distributions on Account of Allowed Class 3 Claims. To the extent funds are available, on each Distribution Date, the Plan Administrator shall make Distributions of Available Cash to holders of Allowed Class 3 Claims in accordance with the Plan. Any Distributions made to holders of Allowed Class 3 Claims shall be made on a Ratable basis. Any proceeds received from the liquidation of the Assets shall be distributed in accordance with the Plan.

8. Distributions on Account of Allowed Class 4 Claims. Allowed Claims in Class 4 to be afforded treatment under Section 5.04(a)(i) of the Plan shall be paid solely from the proceeds of available insurance. Allowed Claims in Class 4 that are not to be afforded the treatment under Section 5.04(a)(i) of the Plan and that are estimated by the District Court for allowance pursuant to section 502(c) of the Bankruptcy Code or otherwise settled, shall be paid from proceeds of available insurance, with any deficiency to be treated as an Allowed General Unsecured Claim in Class 3 and the Distribution thereon to be made in accordance with Section 6.10(g) of the Plan.

9. Disputed Claims Reserve Account.

(a) Establishment of Disputed Claims Reserve Account. On the Effective Date, and in conjunction with making all Distributions required to be made on the Effective Date, the Debtor shall establish and fund the Disputed Claims Reserve Accounts, which shall be administered by the Plan Administrator.

(b) Duties in Connection with Disputed Claims. The Plan Administrator, in consultation with the Creditors' Committee, shall (i) hold in reserve, for the benefit of Disputed Claims, Cash in an amount required by Order of the Bankruptcy Court or the District Court, if applicable, (including any Order estimating the maximum liability of a Disputed Claim) or, in the absence of such Order, Cash equal to the distributions that would have been made to the holder of such Disputed Claim, if it were an Allowed Claim in a liquidated amount, if any, on the Effective Date, (ii) subject to the approval of the Creditors' Committee (which approval shall not be unreasonably withheld), object to, settle or otherwise resolve Disputed Claims, (iii) make Distributions to holders of Disputed Claims that subsequently become Allowed Claims in accordance with the Plan, and (iv) distribute any remaining assets of the Disputed Claims Reserve Accounts, after resolving all Disputed Claims, to holders of Allowed Class 3 Claims in accordance with the Plan.

(c) Transfer of Distributions to Disputed Claim Reserve Accounts. On and after the Effective Date, any Distributions that would otherwise be made to the holders of Disputed Claims shall be transferred to the applicable Disputed Claims Reserve Account. Payments shall be made from the applicable Disputed Claims Reserve Account to the holder of an Allowed Claim, which was previously a Disputed Claim, upon the first Distribution Date immediately following the date upon which such Claim became an Allowed Claim.

E. Miscellaneous Distribution Provisions.

1. Method of Cash Distributions. All Distributions of Cash pursuant to the Plan shall be made by the Plan Administrator or a duly-appointed disbursing agent to the holders of Allowed Claims entitled to receive Cash under the Plan. Cash payments made pursuant to the Plan shall be in United States dollars by checks drawn on a domestic bank selected by the Plan Administrator or by wire transfer from a domestic bank, at the option of the Plan Administrator; provided, however, that cash payments made to foreign creditors, if any, holding Allowed Claims may be (but are not required to be) paid, at the option of the Plan Administrator in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

2. Distributions on Non-Business Days. Any payment or Distribution due on a day other than a Business Day shall be made, without interest, on the next Business Day.

3. Accrual of Postpetition Interest. Unless otherwise provided for in the Plan or the Bankruptcy Code, no holder of a pre-petition Allowed Claim shall be entitled to the accrual of post-petition interest on account of such Claim.

4. No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary herein or in the Plan, no holder of an Allowed Claim shall receive in respect of such Claim any Distribution in excess of the Allowed amount of such Claim.

5. 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 \$25, 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 \$25, 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 \$25, then on the final Distribution Date, the Plan Administrator shall distribute such Cash to the holder entitled thereto.

6. Allocation of Payments. Amounts paid to holders of Allowed Claims in satisfaction thereof shall be allocated first to the principal amounts of such Claims, with any excess allocated to interest that has accrued on such Claims but remains unpaid.

7. Setoffs. The Plan Administrator is authorized, pursuant to and to the extent permitted by section 553 of the Bankruptcy Code, to set off against any Allowed Claim and the Distributions to be made on account of such Allowed Claim, the claims, rights and Causes of Action of any nature that the Plan Administrator 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 that if an objection is timely raised to a proposed setoff, the Plan Administrator may

seek relief from the Bankruptcy Court to effectuate the setoff; provided, further, that neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor or the Plan Administrator of any such claims, rights and Causes of Action that the Debtor may possess against such holder.

8. Unclaimed Property.

(a) Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim shall be made at the Distribution Address unless the Debtor and/or the Plan Administrator, as the case may be, have been notified in writing of a change of address. In the event that any Distribution to any holder of an Allowed Claim is returned as undeliverable, no further Distributions to such holder shall be made unless and until the Plan Administrator is notified of such holder's then-current address, at which time all eligible missed Distributions shall be made to such holder, without interest. All demands for undeliverable Distributions shall be made on or before one hundred and twenty (120) days after the date such undeliverable Distribution was initially made. Thereafter, the amount represented by such undeliverable Distribution shall irrevocably revert to the Debtor and be treated as Available Cash. Any Claim in respect of such undeliverable Distribution shall be discharged and forever barred from assertion against the Debtor and its property or the Plan Administrator.

(b) Checks issued by the Plan Administrator in respect of Allowed Claims shall be null and void if not negotiated within sixty (60) days after the date of issuance thereof. Requests for reissuance of any check shall be in writing and be made to the Plan Administrator by the holder of the Allowed Claim to whom such check originally was issued and such request must be accompanied by delivery of the original check. Any such written claim in respect of such a voided check must be received by the Plan Administrator on or before one hundred and twenty (120) days after the expiration of the sixty (60) day period following the date of issuance of such check. Thereafter, the amount represented by such voided check shall irrevocably revert to the Debtor and be treated as Available Cash. Any Claim in respect of such voided check shall be discharged and forever barred from assertion against the Debtor and its property or the Plan Administrator.

9. Exemption from Transfer Taxes. Pursuant to section 1146(a) of the Bankruptcy Code, the assignment or surrender of any lease or sublease, or the delivery, making, filing, or recording of any deed or other instrument of transfer, or the issuance, transfer, or exchange of any security, under the Plan, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by the Plan, shall not be subject to any stamp, real estate transfer, mortgage, recording or other similar tax.

10. Cancellation of Membership Interests. As of the Effective Date, by virtue of the Plan and in all events without any action on the part of the holders thereof, to the extent not previously cancelled, all Membership Interests issued and outstanding shall be cancelled and retired and no consideration will be paid or delivered with respect thereto.

11. Cancellation of Unsecured Notes and Agreements.

(a) On the Effective Date, except as otherwise provided for in the Plan, any note, bond, indenture or other instrument or document evidencing or creating any indebtedness or obligation of the Debtor (the "Instruments") will be deemed cancelled and of no further force or effect without any further action on the part of the Bankruptcy Court, or any Person including, but not limited to, governmental agencies. The holders of such cancelled Instruments will have no claims against the Debtor for payment of such Instruments, except for the rights provided pursuant to the Plan.

(b) Following the Effective Date, holders of any such Instrument of the Debtor will receive from the Plan Administrator, specific instructions regarding the time and manner in which such Instruments are to be surrendered, if requested by the Plan Administrator. Any Instrument that is lost, stolen, mutilated or destroyed, shall be deemed surrendered when the holder of a Claim based thereon delivers to the applicable agent or the Plan Administrator (i) evidence satisfactory to the agent or the Plan Administrator of the loss, theft, mutilation or destruction of such instrument or certificate, and (ii) such security or indemnity as may be required by the agent or the Plan Administrator to hold each of them harmless with respect thereto.

12. Record Date for Distributions to Holders of Claims. As of the close of business on the Confirmation Date, there shall be no further changes in the record holders of the Claims for purposes of the Distribution of Available Cash. The Debtor and the Plan Administrator shall have no obligation to recognize any transfer of Claims occurring after the Confirmation Date for purposes of the Distribution of Available Cash.

13. Disputed Payments. If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any Distribution, the Plan Administrator may, in lieu of making such Distribution to such Person, make such Distribution into an escrow account to be held in trust for the benefit of such holder and such Distribution shall not constitute property of the Debtor and its Estate. Such Distribution shall be held in escrow until the disposition thereof shall be determined by order of the Bankruptcy Court or other court of competent jurisdiction or by written agreement assigned by all of the interested parties to such dispute.

14. 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.

15. Resignation of Directors and Officer. Upon the Effective Date of the Plan, the Debtor's directors and officers shall be deemed to have resigned as the directors and officers of the Debtor.

16. Resignation, Death or Removal of Plan Administrator. The Plan Administrator may resign at any time upon not less than 30 days' written notice to the Creditors' Committee. The Plan Administrator may be removed at any time by the

Creditors' Committee for cause upon application to the Bankruptcy Court on five (5) days' written notice to the United States Trustee and the Plan Administrator and his counsel. In the event of the resignation, removal, death or incapacity of the Plan Administrator, the Creditors' Committee shall designate another Person to become the Plan Administrator and thereupon the successor Plan Administrator, without further act, shall become fully vested with all of the rights, powers, duties and obligations of his predecessor. No successor Plan Administrator hereunder shall in any event have any liability or responsibility for the acts or omissions of any his or her predecessors.

17. No Agency Relationship. The Plan Administrator shall not be deemed to be the agent for 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 of 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 Estate against any and all claims arising out of his duties under the Plan, except to the extent his actions constitute 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 Debtor and such additional information provided to him by former employees of the Debtor.

18. Plan Administrator's Bond. The Plan Administrator shall obtain and maintain a bond in an amount equal to one hundred and ten percent (110%) of Available Cash.

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

1. Jurisdiction of Bankruptcy Court. Until the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Debtor and its Estate. Thereafter, jurisdiction of the Bankruptcy Court shall be limited to the subject matters set forth in Article XI of the Plan and as specified in the Confirmation Order.

2. Binding Effect. Except as otherwise provided in section 1141(d) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against the Debtor who held such Claim at any time during the Chapter 11 Case and their respective successors and assigns, whether or not the Claim of such holder is Impaired under the Plan and whether or not such holder has accepted the Plan.

3. Term of Injunctions or Stays. Unless otherwise provided in the Plan, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections

105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Case is closed.

4. Retention of Rights and Causes of Action. All present or future rights, claims or Causes of Action against any Person that existed and which have not been released on or prior to the Effective Date are preserved for the Debtor and its Estate. On the Effective Date, pursuant to section 1123(b)(3) of the Bankruptcy Code, the Debtor shall have possession and control of, and shall retain and have the right to enforce and pursue, any and all present or future rights, claims or Causes of Action, against any Person and with respect to any rights of the Debtor that arose before or after the Petition Date, including, but not limited to, rights, claims and Causes of Action. The Debtor and its Estate have, retain, reserve, and shall be entitled to assert and pursue all such claims, Causes of Action, rights of setoff, or other legal or equitable defenses, and all legal and equitable rights of the Debtor not expressly released under the Plan may be asserted after the Confirmation Date. The Plan Administrator may abandon, settle or release any or all such claims, rights or Causes of Action, as it deems appropriate subject to the approval of the Creditors' Committee (which approval shall not be unreasonably withheld) and the approval of the Bankruptcy Court. In pursuing any claim, right or Cause of Action, the Plan Administrator, as the representative of the Estate, shall be entitled to the extensions provided under section 108 of the Bankruptcy Code. Except as otherwise provided in the Plan, all Causes of Action shall survive confirmation and the commencement or prosecution of Causes of Action shall not be barred or limited by any estoppel, whether judicial, equitable or otherwise.

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 Debtor within ninety (90) days prior to the Petition Date and insiders who received payments or transfers from the Debtor within one (1) year before the Petition Date) and other parties should consider that Causes of Action may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action, and that the Plan authorizes the Plan Administrator to prosecute same. In the event the Plan Administrator does not prosecute a Cause of Action, the Creditors' Committee shall be authorized, upon consent of the Plan Administrator, to prosecute such Cause of Action on behalf of the Debtor. If the Plan Administrator does not consent to the Creditors' Committee prosecuting a Cause of Action, the Creditors' Committee may seek authority from the Bankruptcy Court to prosecute such Cause of Action.

5. Injunction.

(i) Satisfaction of Claims. The treatment to be provided for Allowed Claims shall be in full satisfaction, settlement and release of such respective Claims.

(ii) Scope of 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 Debtor, the Patient Care Ombudsman, the Plan Administrator, the Creditors' Committee or members thereof, present and former directors, officers, trustees,**

agents, attorneys, advisors, members or employees of the Debtor, the Patient Care Ombudsman, the Creditors' Committee or members thereof, the Plan Administrator 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 Debtor; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a Claim against the Debtor; (3) creating, perfecting or enforcing any lien or encumbrance with respect to a Claim against the Debtor; (4) asserting a setoff, right of subrogation or recoupment of any kind with respect to a Claim against the Debtor, the assets or other property of the Estate; and (5) commencing or continuing any action that does not comply with or is inconsistent with the Plan; provided, however, nothing in this injunction shall preclude the holder of a Claim from pursuing any available insurance after the Chapter 11 Case is closed, from seeking discovery in actions against third parties or from pursuing third-party insurance that does not cover Claims against the Debtor.

(iii) Housestaff Injunction. Except as otherwise provided in the Plan or the Confirmation Order, all Persons are permanently enjoined from enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order with respect to a claim that would entitle a Housestaff Officer to a Housestaff Claim; provided, however, such injunction shall not extend to recovering against any available insurance. In exchange for this injunction, each Housestaff Officer shall be deemed to waive any Housestaff Claim against the Debtor and its Estate, provided that the waiver of the Housestaff Claims shall not impair the injunction in this Section of the Plan and neither the waiver of the Housestaff Claims nor this injunction shall release the obligations of any insurance company to defend a Housestaff Officer under an otherwise applicable insurance policy.

The purpose of this "Housestaff Injunction" is intended to limit claims against the Debtor by limiting the ability of third parties to seek claims against the Housestaff that could have been asserted against the Debtor by reason of, among other things, vicarious liability. This injunction is not intended to restrict any party's ability to proceed against available insurance that is available to satisfy claims against the Housestaff Officers.

As defined in the Plan, (i) "Housestaff Officers" means any past intern, resident, chief resident and/or fellow that was employed by OLM, and (ii) "Housestaff Claims" means any claim by a Housestaff Officer against OLM for indemnification, subrogation, contribution or reimbursement arising from all liabilities, loss, damage, costs and expenses of whatever kind, including attorneys fees, arising from any professional liability claim or lawsuit which may have been incurred by reason of negligent acts committed or performed within the scope of such Housestaff Officer's employment, studies, administrative or committee functions or responsibilities.

(iv) Release of Collateral. Except as expressly provided otherwise in the Plan, unless a holder of a Secured Claim receives a return of its Collateral in respect of such Claim under the Plan: (i) each holder of; (A) an Allowed Secured Claim; and/or (B) an Allowed Claim that is purportedly secured, on the

Effective Date shall (x) turn over and release to the Debtor any and all property that secures or purportedly secures such Claim; and (y) execute such documents and instruments as the Plan Administrator requires to evidence such claimant's release of such property; and (ii) on the Effective Date, all claims, rights, title and interest in such property shall revert to the Debtor, free and clear of all Claims, including (without limitation) Liens, charges, pledges, encumbrances and /or security interests of any kind. No Distribution under the Plan shall be made to or on behalf of any holder of such Claim unless and until such holder executes and delivers to the Plan Administrator such release of Liens. Any such holder that fails to execute and deliver such release of Liens within 60 days of any demand thereof shall be deemed to have no further Claim and shall not participate in any Distribution hereunder. Notwithstanding the immediately preceding sentence, a holder of a Disputed Claim shall not be required to execute and deliver such release of Liens until the time such Claim is Allowed or Disallowed.

(v) Cause of Action Injunction. On and after the Effective Date, all Persons other than the Plan Administrator and the Creditors' Committee will be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of, or respecting any, claim, debt, right or Cause of Action that the Plan Administrator and/or Creditors' Committee retain authority to pursue in accordance with the Plan.

6. 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 (including Litigation Claims) against the Debtor, any directors, trustees or officers of the Debtor, or any other Person, including without limitation, the D&O Insurance. For the avoidance of doubt, and as set forth in the Plan, all of the Debtor's insurance policies and the proceeds thereof shall be available to holders of Litigation Claims alleging medical malpractice or personal injury to the extent such insurance policies cover such Litigation Claims. In addition, such insurance policies and proceeds thereof shall be available to holders of Litigation Claims for the purpose of satisfying Litigation Claims estimated pursuant to section 502(c) of the Bankruptcy Code or in accordance with the Plan.

7. Exculpation. Except as otherwise set forth in the Plan, none of the Debtor, the Creditors' Committee, the individual members of the Creditors' Committee (acting in their capacity as members of the Creditors' Committee), MMC, Montefiore Health System, Inc., the Patient Care Ombudsman, the Plan Administrator, their respective current or former directors, officers, trustees, employees, agents (acting in such capacity), advisors or representatives nor any professional employed by any of them shall have or incur any liability to any Person or entity for any action taken or omitted to be taken in connection with or related to (i) the formulation, preparation, dissemination, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, release, or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with the Plan, (ii) the administration of the Plan or property to be distributed pursuant to the Plan, and (iii) actions taken or omitted to be taken in connection with the Chapter 11 Case or the operations, monitoring or

administration of the Debtor during the Chapter 11 Case. Notwithstanding anything in Section 7.07 of the Plan to the contrary, the provisions of such Section shall not limit the liability of any Person or entity that would otherwise result from any action or omission to the extent that such action or omission is determined in a Final Order to have constituted intentional fraud, gross negligence or willful misconduct. Nothing in Section 7.07 of the Plan shall limit the Debtor's rights with respect to (i) purchase price adjustments under the Asset Purchase Agreement or (ii) any payments due to the Debtor from MMC, Montefiore Health System, Inc. or any current or former directors, officers, trustees, employees, agents or affiliates of MMC or Montefiore Health System, Inc.

8. Compromise of Controversies. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including, without limitation, all Claims arising prior to the Effective Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, arising out of, relating to or in connection with the business or affairs of or transactions with the Debtor. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, the Estate, creditors and other parties-in-interest, and are fair, equitable and within the range of reasonableness.

9. Post-Confirmation Activity. As of the Effective Date, the Plan Administrator may conclude the wind down of the Debtor's affairs without supervision of the Bankruptcy Court, other than those restrictions expressly imposed by the Plan and the Confirmation Order. Without limiting the foregoing, the Plan Administrator may pay any charges it incurs for taxes, professional fees, disbursements, expenses or related support services after the Effective Date without application to and approval of the Bankruptcy Court.

10. Preservation of Avoidance Actions. Notwithstanding anything in the Plan to the contrary, all of the Debtor's avoidance actions under chapter 5 of the Bankruptcy Code are preserved for the Debtor and its Estate and may be pursued by the Debtor through the Plan Administrator or, if permitted under Section 7.04 of the Plan, by the Creditors' Committee.

VI. EXECUTORY CONTRACTS

1. Executory Contracts and Unexpired Leases. To the extent not previously rejected, on the Confirmation Date, but subject to the occurrence of the Effective Date, all executory contracts and unexpired leases of the Debtor entered into prior to the Petition Date shall be deemed rejected by the Debtor pursuant to the provisions of section 365 of the Bankruptcy Code, except: (a) any executory contract or unexpired lease that has been or is the subject of a motion to assume or assume and assign Filed pursuant to section 365 of the Bankruptcy Code by the Debtor before the

Effective Date; (b) any executory contract or unexpired lease listed in the “Schedule of Assumed Executory Contracts and Unexpired Leases” attached as Exhibit A to the Plan; (c) any executory contract or unexpired lease assumed or assumed and assigned pursuant to the provisions of the Plan; or (d) any agreement, obligation, security interest, transaction or similar undertaking that the Debtor believes is not executory or is not a lease, and which is later determined by the Bankruptcy Court to be an executory contract or unexpired lease that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

2. Cure. At the election of the Debtor, any monetary defaults, if any, under each executory contract and unexpired lease to be assumed under the Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code, in one of the following ways: (a) by payment of the default amount in Cash on the Effective Date; or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event of a dispute regarding: (i) the amount of any cure payments; (ii) the ability of the Debtor to provide adequate assurance of future performance under the contract or lease to be assumed; or (iii) any other matter pertaining to assumption, then the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving assumption. The Debtor believes that there are no cure amounts that will need to be paid in connection with executory contracts and unexpired leases, if any, assumed under the Plan.

3. Rejection Damages Bar Date. If the rejection by the Debtor, pursuant to the Plan or otherwise, of an executory contract or unexpired lease, results in a Claim, then such Claim shall be forever barred and shall not be enforceable against the Debtor or its property or the Plan Administrator unless a proof of claim is Filed with the clerk of the Bankruptcy Court and served upon the Debtors and /or Plan Administrator, as applicable, not later than thirty (30) days after the date of service of notice of entry of the Confirmation Order, or such other period set by the Bankruptcy Court.

4. Effect of Post-Confirmation Rejection. The entry by the Bankruptcy Court on or after the Confirmation Date of an Order authorizing the rejection of an executory contract or unexpired lease of the Debtor entered into prior to the Petition Date shall result in such rejection being a pre-petition breach under sections 365(g) and 502(g) of the Bankruptcy Code.

VII. DISMISSAL AND DISSOLUTION OF O.L.M. PARKING

1. Treatment of O.L.M. Parking. The Debtor and O.L.M. Parking believe that claims against O.L.M. Parking generally represent tax claims against O.L.M. Parking. Upon review of such claims, the Debtor and O.L.M. Parking have determined these claims are for the most part, if not completely, invalid and should be disallowed. Nevertheless, O.L.M. Parking has no assets to satisfy the Claims, even if valid. Accordingly, by separate motion returnable upon the date of the Confirmation Hearing, the Debtor and O.L.M. Parking will request that the Bankruptcy Court enter an order dissolving O.L.M. Parking, and dismissing O.L.M. Parking’s chapter 11 case.

VIII. CONDITIONS TO CONFIRMATION AND OCCURRENCE OF EFFECTIVE DATE

1. Conditions to Confirmation. The Plan may not be confirmed unless each of the conditions set forth below is satisfied.

(a) The Disclosure Statement Order will be a Final Order.

(b) The Confirmation Order shall have been entered in a form reasonably acceptable to the Plan Proponents.

2. Conditions to Occurrence of Effective Date. The Effective Date for the Plan may not occur unless each of the conditions set forth below is satisfied. Any one or more of the following conditions may be waived in whole or in part at any time upon consent by all Plan Proponents:

(a) The Confirmation Order shall have become a Final Order.

(b) The Confirmation Order shall provide for the injunctions and exculpation of the Persons provided for in Article VII of the Plan.

(c) Gilbert Barnett shall have been appointed as the Plan Administrator and shall have accepted to act in such capacity in accordance with the terms and conditions of the Plan.

3. Effect of Nonoccurrence of the Conditions to Occurrence of Effective Date. If each of the conditions to the occurrence of the Effective Date have not been satisfied or duly waived on or before the date which is no later than the first Business Day after ninety (90) days after the Confirmation Order is entered, or by such later date as is approved, after notice and a hearing, by the Bankruptcy Court, then upon motion by any party-in-interest made before the time that each of the conditions has been satisfied or duly waived, the Confirmation Order may be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the filing of such a motion, the Confirmation Order shall not be vacated if each of the conditions to occurrence of the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting the relief requested in such motion. If the Confirmation Order is vacated pursuant to Section 10.03 of the Plan, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (a) constitute a waiver or release of any claims by or against the Debtor; or (b) prejudice in any manner the rights of the Debtor or of any other party-in-interest.

IX. CONFIRMABILITY AND SEVERABILITY OF A PLAN AND CRAMDOWN

1. Confirmability and Severability of a Plan. Subject to Section 12.11 of the Plan, the Plan Proponents reserve the right to alter, amend, modify, revoke or withdraw the Plan. If the Debtor revokes or withdraws from 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 Debtor, or to prejudice in any manner the rights of the Debtor

or any persons in any further proceedings involving the Debtor. 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 Plan Proponents' 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 Plan Proponents shall have the right to request the Bankruptcy Court to confirm the Plan in accordance with section 1129(b) of the Bankruptcy.

X. ADMINISTRATIVE PROVISIONS

1. Retention of Jurisdiction. Notwithstanding confirmation of the Plan or occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction for all purposes permitted under applicable law, including, without limitation, the following purposes:

- (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 the 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 the Plan, the Confirmation Order or any other Order of the Bankruptcy Court;

- (h) To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, 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;
- (i) To hear and determine all Professional Fee Claims;
- (j) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation 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 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;
- (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 sections 346, 505, and 1146 of the Bankruptcy Code;
- (n) To enter a final decree closing the Chapter 11 Case;
- (o) To recover all assets of the Debtor and property of the Estate, wherever located;
- (p) To hear and determine any matters for which jurisdiction was retained by the Bankruptcy Court pursuant to the Sale Orders or the Government Stipulations; and
- (q) 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.

2. Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules, or other federal laws apply, the rights and obligations arising under the Plan shall be governed by the laws of the State of New York, without giving effect to principles of conflicts of law of New York.

3. Continuing Effect of Sale Orders and Government Settlement Stipulations. Notwithstanding anything in the Plan to the contrary, the Sale Orders, the Asset Purchase Agreement, the Government Stipulations and related documents shall not be modified, limited or amended by the Plan.

4. Effectuating Documents, Further Transactions. The Debtor or the Plan Administrator, as applicable, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

5. Waiver of Bankruptcy Rules 3020(e) and 7062. The Plan Proponents may request that the Confirmation Order include (i) a finding that Bankruptcy Rule 7062 shall not apply to the Confirmation Order; and (ii) authorization for the Debtor to consummate the Plan immediately after entry of the Confirmation Order.

6. 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.

7. 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 Article IV of the Plan.

8. Continuation of Creditors' Committee. Until the entry of a final decree closing the Chapter 11 Case, the Creditors' Committee will continue in existence and shall continue to exercise all of the rights and powers conferred upon it by the Bankruptcy Code and the Plan, at which time the Creditors' Committee and its duties, powers, responsibilities and rights shall be deemed dissolved.

9. Resignation and Vacancy on the Creditors' Committee. If any creditor represented on the Creditors' Committee assigns its Claim or releases the Debtors from the payment of the balance of its Claim, the member of the Creditors' Committee representing that creditor will be deemed to have resigned from the Creditors' Committee. In the event that a vacancy occurs on the Creditors' Committee by reason of the death or resignation of a member, then with respect to any vacancy thereby created, the remaining members of the Creditors' Committee may (i) fill the vacancy with the representative of another holder of an Allowed Class 3 Claim (ii) reduce the size of the Creditors' Committee to the number of the remaining Creditors' Committee members. If the Creditors' Committee members elect the latter, then no Creditors' Committee vacancy shall be deemed to exist. The Creditors' Committee shall function whether or not a vacancy exists. In any event, no Person may be designated to serve on the Creditors' Committee without notice having been given to the Plan Administrator.

10. Creditors' Committee's Professionals. Subsequent to the Effective Date, the Creditors' Committee shall have the power and authority to utilize the

services of its counsel and financial advisor as necessary to perform the duties of the Creditors' Committee and to authorize and direct such Persons to act on behalf of the Creditors' Committee in connection with any matter requiring its attention or action. The Debtor and its Estate shall be responsible for the payment of all reasonable and necessary fees and expenses of such counsel and financial advisor. The Plan Administrator shall pay the reasonable and necessary fees and expenses of the Creditors' Committee's counsel and financial advisor without the need for Bankruptcy Court approval.

11. Disposal of Books and Records. The Debtor's rights to seek authorization from the Bankruptcy Court for the destruction of books and records, including patient medical and billing records, prior to the expiration of any statutory period to maintain such records will be preserved. A description of how records currently are being stored is described in Section [III.R] of this Disclosure Statement.

12. Amendments.

(a) Pre-confirmation Amendment. The Plan Proponents 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, the Plan Proponents 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 Plan Proponents 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.

(c) Post-confirmation Amendment Requiring Resolicitation. After the Confirmation Date and before the Effective Date of the Plan, the Plan Proponents may modify the Plan in a way that materially or adversely affects the interests, rights, treatment, or Distributions of a class of Claims provided that: (i) the Plan, as modified, meets applicable Bankruptcy Code requirements; (ii) the Plan Proponents obtain Bankruptcy Court approval for such modification, after notice to all creditors entitled to receive notice pursuant to the Bankruptcy Code and the Bankruptcy Rules and a hearing; (iii) such modification is accepted by at least two-thirds in amount, and more than one-half in number, of Allowed Claims voting in each class affected by such modification; and (iv) the Debtor comply with section 1125 of the Bankruptcy Code with respect to the Plan as modified.

13. Successors and Assigns. The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heir, executor, administrator, successor or assign of such Person.

14. Confirmation Order and Plan Control. To the extent the Confirmation Order and/or the Plan is inconsistent with this Disclosure Statement, any

other agreement entered into between the Debtor and any third party, the Plan controls the Disclosure Statement and any such agreements and the Confirmation Order controls the Plan.

XI. ESTIMATED DISTRIBUTIONS

The Debtor currently estimates that approximately \$26.8 million to \$30.5 million could be available to satisfy Allowed Administrative Claims, Priority Tax Claims, Class 1 Secured Claims, Class 2 Priority Claims and Class 3 General Unsecured Claims. This estimate includes Cash on hand as of the Effective Date of the Plan, including proceeds (or projected proceeds) from the sale of the Debtor's assets to MMC and accounts receivable collected since the closing of the sale, which resulted in the Debtor holding total cash in the amount of approximately \$14 million as of August 31, 2008. Allowed Claims in Class 4 will receive payment from insurance or, if not waived, a deficiency as a Class 3 General Unsecured Claim. No distributions will be available to satisfy Class 5 Subordinated Claims.

The estimate does not include any potential recoveries from Causes of Action that may be pursued in the future by the Plan Administrator or the Creditors' Committee. Unless otherwise provided in the Plan, all Causes of Action are preserved for the Debtor and its Estate.

The likely proceeds of the Causes of Action are uncertain and highly speculative at this point. Accordingly, the Debtor is unable to project what recovery may be realized through the prosecution of the Causes of Action.

The Debtor cannot reasonably estimate the amount that will ultimately be available to satisfy Claims if the Plan is confirmed, but the Debtor will have sufficient assets to satisfy Allowed Administrative Claims, Priority Tax Claims, Class 1 Priority Claims, and Class 2 Secured Claims and make a distribution on account of Class 3 General Unsecured Claims and Class 4 Litigation Claims.

XII. 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 Debtor, 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 Plan Proponents comply with the applicable provisions of the Bankruptcy Code; (iv) the Plan Proponents 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 Debtor, 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 XII.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; (x) if applicable, the Plan provides for the continuation after the Effective Date of all retiree benefits, as defined in section 1114 of the Bankruptcy Code, at the level established at any time prior to confirmation of the Plan pursuant to section 1114 of the Bankruptcy Code, for the duration of the period that the Debtor has obligated itself to provide such benefits; and (xi) the Plan Proponents 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 Debtor or as successor to the Debtor under the Plan, and the appointment to or continuance in such office by such individual must be consistent with public policy.

The Plan Proponents 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 Plan Proponents 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 Allowed Class 3 General Unsecured Claims and Allowed Class 4 Litigation 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 Debtor or holders of particular Claims may seek an order of the Bankruptcy Court temporarily allowing, for voting purposes only, certain Disputed Claims.

For purposes of calculating acceptances and rejections to the Plan, each holder of a Litigation Claim entitled to vote shall only be entitled to one vote and such Litigation Claim shall be \$1.00 for voting purposes only.

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 record holders of undisputed Class 3 Claims (including any Claims that are temporarily Allowed for voting purposes) as of the date the Disclosure Statement Order was entered by the Bankruptcy Court 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. All holders of Litigation Claims for which a proof of claim was timely or deemed timely filed, for which claims against the estate have not been waived, will be entitled to vote to accept or reject the Plan. Such holders of Litigation Claims also may elect the treatment set forth in Section 5.04(a)(ii) of the Plan. 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 3 General Unsecured Claims and Class 4 Litigation Claims are “impaired” under the Plan, and the Debtor is soliciting acceptances for the Plan from the holders of Allowed Claims in Class 3 and Class 4. Classes 1 and 2 are unimpaired under the Plan and, therefore, are deemed to have accepted the Plan. Class 5 is 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 Plan Proponents’ 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 debtors 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 or Litigation Claims will receive any distribution under the Plan. Accordingly, the Plan Proponents believe that the Plan does not discriminate unfairly as to any impaired Class of Claims 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 Debtor unless the Plan provides for the liquidation of the Debtor. Since the Plan provides for the liquidation of the Debtor, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtor 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 Debtor's remaining assets. The Plan Proponents 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 Debtor liquidated under chapter 7 of the Bankruptcy Code. Since it is the Plan Proponents' 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 Debtor's projections of a distribution in the range of approximately \$26.8 million to \$30.5 million, it is likely that a chapter 7 trustee's commission alone could be in the range of approximately \$872,250 to \$938,250. 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 Plan Proponents 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 Debtor liquidated under chapter 7 of the Bankruptcy Code.

XIII. 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 Debtor.

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.

XIV. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain of the material federal income tax consequences expected to result from the implementation of the Plan. 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 and Priority Claims). This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service ("IRS"). There can be no

assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought. Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to, among others, the Debtor and the holders of Claims.

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

EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POTENTIAL 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 Debtor.

The Debtor is exempt from federal income tax pursuant to Section 501 of the Code. Accordingly, the Debtor does not believe that the implementation of the Plan, including the extinguishment of the Debtor's outstanding indebtedness pursuant to the Plan, will result in any material tax liability to the Debtor.

B. Federal Income Tax Consequences to Holders of Allowed Class 3 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 3 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 3 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 provides that the aggregate consideration to be distributed to holders will, to the extent relevant, first be allocated to the stated principal amount of the Claim and any remaining consideration will then be allocated to accrued but unpaid interest. Case law suggests that such an agreed-upon allocation should be respected. However, 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 that the IRS would respect 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. Federal Income Tax Consequences to Holders of Allowed Class 4 Litigation Claims.

Each Allowed Litigation Claim will be liquidated and satisfied in Cash solely from the assets of the respective insurance, in accordance with the Plan. The federal income tax treatment of a receipt of payments by a holder of such Litigation Claim generally will depend upon the nature of the Litigation Claim. To the extent the amounts received by a holder of an Allowed Litigation Claim are attributable to, and compensation for, such holder's personal injuries or sickness, within the meaning of section 104 of the Tax Code, any such amounts received by the holder generally should be nontaxable. To the extent that an Allowed Litigation Claim receives payment over time, it is possible that a portion of the latter payments may be treated as imputed interest. *Holders of Litigation Claims are urged to consult their tax advisors regarding the tax implications of the Plan to them.*

D. Withholding and Reporting.

The Debtor 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.

XV. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Plan Proponents believe that the Plan affords the holders of Claims the potential for the greatest realization on the Debtor's 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 Debtor's remaining Assets and distribution to creditors under chapter 7. As discussed, the Plan Proponents believe that the Plan is significantly better for creditors than a chapter 7 liquidation.

XVI. ALTERNATIVE PLANS OF REORGANIZATION

If the Plan is not confirmed, the Debtor or any other party-in-interest in the Chapter 11 Cases could propose a different plan or plans. Since a substantial portion of the Debtor's assets have been sold and the Plan proposed by the Plan Proponents is a plan of liquidation, the Plan Proponents do not believe that an alternative plan could provide greater recoveries than those provided in the Plan. Moreover, the filing of alternative plans would result in additional costs in administering the Chapter 11 Cases and significant delays in making distributions.

XVII. CONFIRMATION HEARING

By order of the Bankruptcy Court dated [_____, 2008,] the Confirmation Hearing has been scheduled for December 10, 2008 at 9:45 a.m. (Eastern Time), before the Honorable Robert E. Gerber, 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 December 3, 2008 at 5:00 p.m. (Eastern Time):

For the Debtor:

OUR LADY OF MERCY MEDICAL CENTER
600 East 233rd Street
Bronx, New York 10466
Attn: Gilbert Barnett, Chief Wind-Down Officer

with copies to:

TOGUT, SEGAL & SEGAL LLP
Attorneys for the Debtor
One Penn Plaza, Suite 3335
New York, New York 10119
Telephone: (212) 594-5000
Facsimile: (212) 967-4258
Attn: Frank A. Oswald, Esq.
Jeffrey M. Traurig, Esq.

For the Creditors' Committee:

ALSTON & BIRD LLP
90 Park Avenue
New York, New York 10016
Telephone: (212) 210-9400
Facsimile: (212) 210-9444
Attn: Martin G. Bunin, Esq.
Craig E. Freeman, Esq.

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.

XVIII. CONCLUSION

The Plan Proponents submit that the plan complies in all respects with chapter 11 of the Bankruptcy Code and the Plan Proponents recommend to holders of Claims who are entitled to vote on the plan that they vote to accept the plan. The Plan Proponents 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 5:00 p.m. (Eastern Time) on December 3, 2008, at the following address:

If mailed

*if sent by hand delivery
or overnight courier*

The Garden City Group
Our Lady of Mercy Medical Center, *et al.*
Attn: Voting Department
P.O. Box 9000-6485
Merrick, New York 11566

The Garden City Group
Our Lady of Mercy Medical Center, *et al.*
Attn: Voting Department
105 Maxess Road
Melville, New York 11747

Dated: New York, New York
October 28, 2008

Respectfully Submitted,

OUR LADY OF MERCY MEDICAL CENTER
Debtor and Debtor in Possession

By: /s/ Gilbert Barnett
Name: GILBERT BARNETT
Title: Chief Wind-Down Officer

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

By: /s/ Arthur J. Montegari, Jr.
Name: ARTHUR J. MONTEGARI, JR.
Title: Director of Employee Benefits
Archdiocese of New York,
Chair of the Official Committee
of Unsecured Creditors

TOGUT, SEGAL & SEGAL LLP
Attorneys for the Debtor

By: /s/ Frank A. Oswald
Name: FRANK A. OSWALD
Title: Member of the Firm

EXHIBIT 1

(previously filed)

EXHIBIT 2

EXHIBIT 3

EXHIBIT 4

(A List of Executory Contracts and Unexpired Leases to be Assumed under the Plan to be Filed Prior to the Confirmation Hearing)

EXHIBIT 5

(A List of Non-exhaustive Executory Contracts and Unexpired Leases to be Rejected under the Plan to be Filed Prior to the Confirmation Hearing)