

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION**

-----X		
In re	:	Case No. 99-40663
	:	
YOUNGSTOWN OSTEOPATHIC	:	Chapter 11
HOSPITAL ASSOCIATION	:	
	:	
Debtor.	:	Judge Kay Woods
-----X		

**MOTION FOR ENTRY OF AN ORDER (i) SETTING DATE
AND TIME FOR HEARING TO CONSIDER APPROVAL
OF PROPOSED DISCLOSURE STATEMENT FOR THE
JOINT PLAN OF LIQUIDATION DATED APRIL 30, 2007
AND (ii) APPROVING AND DESIGNATING FORM AND
MANNER OF NOTICE OF HEARING THEREON**

Youngstown Osteopathic Hospital Association, debtor and debtor in possession, (the “Debtor”), pursuant to section 1125(b) of chapter 11 of Title 11 (the “Bankruptcy Code”) of the United States Code and Bankruptcy Rules 2002(b) and (l) and 3017, hereby moves (the “Motion”) for an order (i) setting June 27, 2007, at 9:45 a.m. (Eastern) (the “Disclosure Hearing”) as the date and time for the hearing to consider approval of the proposed Disclosure Statement dated April 30, 2007 and filed by the Debtor on May 21, 2007 (the “Disclosure Statement”) pertaining to the proposed Joint Plan of Liquidation dated April 30, 2007 and filed May 21, 2007 by the Debtor, PNC Bank, National Association and the Official Committee of Unsecured Creditors (the “Creditors’ Committee”) as plan proponents (collectively, the “Plan Proponents”), (ii) approving and designating the form and manner of notice of the Disclosure Hearing as set forth in this Motion and (iii) after notice and the Disclosure Hearing, approving the Disclosure Statement.

In support of this Motion, the Debtor respectfully states as follows:

JURISDICTION

1. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334.

This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

The statutory bases for the relief requested herein are section 1125 of the Bankruptcy Code and Bankruptcy Rules 2002 and 3017.

BACKGROUND

2. The Debtor is a not-for-profit hospital association, which formerly operated an osteopathic hospital in Youngstown, Ohio. On March 11, 1999 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtor continues to manage its property and assets as a debtor in possession.

3. Pursuant to Bankruptcy Rule 3016(b), on May 21, 2007, the Debtor filed the Disclosure Statement together with the Plan.

4. The Plan is based on agreements among the Plan Proponents and provides the proposed framework for the distribution of the remaining assets of the Debtor's estate and conclusion of administration of this Chapter 11 case.

RELIEF REQUESTED AND REASONS THEREFOR

5. The Debtor requests that this Court

- (i) fix June 27, 2007, at 9:45 a.m. (Eastern) as the date and time for the Disclosure Hearing;
- (ii) approve and enter the proposed Order and Notice for Hearing in the form annexed hereto as Exhibit A (the "Notice");
- (iii) pursuant to Bankruptcy Rules 2002(b) and (l) and 3017, order that notice of the Disclosure Hearing shall be adequate and sufficient if (a) no later than May 29, 2007, the Debtor serve the Disclosure Statement, the Plan

and the Notice in accordance with Bankruptcy Rule 3017(a) and (b) no later than May 31, 2007 and again on June 11, 2007, the Debtor shall cause the Notice to be published in the *Youngstown Vindicator*, a newspaper of general circulation in the Youngstown, Ohio geographic area.

NOTICE BY PUBLICATION IS WARRANTED

6. This Chapter 11 case has been pending for eight (8) years. To a great extent, the mailing addresses of the Debtor's creditors on the Debtor's master aggregate service list will likely be stale and thus, the Notice may not be deliverable to such creditors. Furthermore, the cost and expense of copying and mailing the Notice to over 1,200 creditors is unduly burdensome to the estate.

7. The Debtor believes that publication of the Notice as aforesaid, together with service of the Notice in accordance with Bankruptcy Rule 3017(a) and service on the "core" service list utilized by the Debtor in this case, will provide adequate and sufficient notice of the Disclosure Hearing to consider approval of the Disclosure Statement. The Creditors' Committee and PNC Bank do not oppose this request.

NOTICE

8. A copy of this Motion was served upon (i) the United States Trustee, (ii) the Plan Proponents and (iii) those parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtor submits that no further notice is required and that this Court may enter the proposed Order annexed hereto as Exhibit "B," without further notice or hearing thereon.

WHEREFORE, the Plan Proponents respectfully request that the Court enter the annexed proposed Order (i) setting the Hearing, (ii) approving the Notice and (iii) approving publication of the Notice as satisfying the requirements of Bankruptcy Rules 2002(b) and (l) and 3017; and (iv) granting such other and further relief as is proper in the premises.

Dated: May 25, 2007

Respectfully submitted,

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/s/ William E. Schonberg

Exhibit A

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

-----X
In re : Case No. 99-40663
: :
YOUNGSTOWN OSTEOPATHIC : Chapter 11
HOSPITAL ASSOCIATION, : :
: :
Debtor. : Judge Kay Woods
-----X

NOTICE OF HEARING ON DISCLOSURE STATEMENT

TO THE DEBTOR, ITS CREDITORS AND OTHER PARTIES IN INTEREST:

A proposed Disclosure Statement and Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code having been filed by Youngstown Osteopathic Hospital Association, Debtor in Possession, and PNC Bank, N.A. and the Official Committee of Unsecured Creditors on May 21, 2007,

IT IS ORDERED and notice is hereby given, that:

1. The hearing to consider the approval of the Disclosure Statement shall be held at United States Bankruptcy Court, Nathaniel R. Jones Federal Building & U.S. Courthouse, 10 East Commerce Street, Youngstown, Ohio 44503-1621, on June 27, 2007 at 9:45 a.m. (Eastern).
2. June 20, 2007 is fixed as the last day for filing and serving in accordance with Fed. R. Bankr. P. 3017(a) written objections to the Disclosure Statement.
3. Within one (1) day after entry of this order, the Disclosure Statement, Liquidating Plan and this Order shall be distributed in accordance with Fed. R. Bankr. P. 3017(a).
4. Requests for copies of the Disclosure Statement and Liquidating Plan shall be mailed to the attorneys for the Debtor: William E. Schonberg, Esq., Benesch, Friedlander, Coplan & Aronoff LLP, 2300 BP Tower, 200 Public Square, Cleveland, Ohio 44114-2378.

/s/ William E. Schonberg
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**Attorneys for Youngstown Osteopathic Hospital
Association, Debtor and Debtor in Possession**

Exhibit B

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

-----X
In re : Case No.: 99-40663
: :
YOUNGSTOWN OSTEOPATHIC HOSPITAL : Chapter 11
ASSOCIATION, : :
: : Judge Kay Woods
Debtor. : :
-----X

**ORDER APPROVING THE FORM AND MANNER
OF NOTICE OF HEARING TO CONSIDER
PROPOSED DISCLOSURE STATEMENT**

Came on for consideration the motion (the "Motion") of the debtor and debtor in possession (the "Debtor"), for an order (i) fixing June 27, 2007 at 9:45 a.m. (eastern) (the "Hearing") as the date and time for the hearing to consider approval of the proposed Disclosure Statement dated April 30, 2007 and filed by the Debtor on May 21, 2007 (the "Disclosure Statement") pertaining to the proposed Joint Plan of Liquidation dated April 30, 2007 and filed May 21, 2007 and (ii) pursuant to Bankruptcy Rules 2002(b) and (l) and 3017, approving and designating the form and manner of notice of the Hearing.

The Court finds that the Unsecured Creditors' Committee and PNC Bank, National Association, do not oppose the relief sought by the Debtor in the Motion. The Court further finds that, for the reasons and upon the bases represented by the Debtor in the Motion, notice of the Hearing by publication as provided in Bankruptcy Rule 2002(1) is appropriate and warranted under the circumstances herein. The Court further finds that no further notice or consideration of the Motion is necessary under the circumstances herein.

Therefore, good cause being shown, the Court being fully apprised in the premises, it is ORDERED, that the Motion is granted; and it is further ORDERED, that the Notice of Hearing annexed to the Motion as Exhibit A (the "Notice") is hereby approved; and it is further

ORDERED, that no later than May 30, 2007, the Debtor shall serve the Disclosure Statement, the Plan and the Notice on the parties specified by Bankruptcy Rule 3017; and it is further

ORDERED, that no later than May 31, 2007 and then again on June 11, 2007, the Debtor shall cause the Notice to be published in the "Youngstown Vindicator"; and it is further

ORDERED, that service and publication as aforesaid shall constitute adequate and sufficient notice of the Hearing to consider approval of the Disclosure Statement.

###

Submitted by:

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION**

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In re	:	Case No. 99-40663
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YOUNGSTOWN OSTEOPATHIC	:	Chapter 11
HOSPITAL ASSOCIATION,	:	
	:	
Debtor.	:	Judge Kay Woods
-----X	:	

NOTICE OF HEARING ON DISCLOSURE STATEMENT

TO THE DEBTOR, ITS CREDITORS AND OTHER PARTIES IN INTEREST:

A proposed Disclosure Statement and Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code having been filed by Youngstown Osteopathic Hospital Association, Debtor in Possession, and PNC Bank, N.A. and the Official Committee of Unsecured Creditors on May 21, 2007,

IT IS ORDERED and notice is hereby given, that:

1. The hearing to consider the approval of the Disclosure Statement shall be held at United States Bankruptcy Court, Nathaniel R. Jones Federal Building & U.S. Courthouse, 10 East Commerce Street, Youngstown, Ohio 44503-1621, on June 27, 2007 at 9:45 a.m. (Eastern).
2. June 20, 2007 is fixed as the last day for filing and serving in accordance with Fed. R. Bankr. P. 3017(a) written objections to the Disclosure Statement.
3. Within one (1) day after entry of this order, the Disclosure Statement, Liquidating Plan and this Order shall be distributed in accordance with Fed. R. Bankr. P. 3017(a).
4. Requests for copies of the Disclosure Statement and Liquidating Plan shall be mailed to the attorneys for the Debtor: William E. Schonberg, Esq., Benesch, Friedlander, Coplan & Aronoff LLP, 2300 BP Tower, 200 Public Square, Cleveland, Ohio 44114-2378.

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Association, Debtor and Debtor in Possession**

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

-----X
In re : Chapter 11
YOUNGSTOWN OSTEOPATHIC : Judge: KAY WOODS
HOSPITAL ASSOCIATION, :
Debtor. : Case No.: 99-40663
-----X

**PROPOSED
DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF
THE BANKRUPTCY CODE FOR THE JOINT PLAN OF LIQUIDATION OF
YOUNGSTOWN OSTEOPATHIC HOSPITAL ASSOCIATION PROPOSED BY
THE DEBTOR IN POSSESSION, PNC BANK, NATIONAL ASSOCIATION, AND
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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April 30, 2007

Attorneys For PNC Bank, National Association

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**DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE
FOR THE JOINT PLAN OF LIQUIDATION OF YOUNGSTOWN OSTEOPATHIC
HOSPITAL ASSOCIATION PROPOSED BY THE DEBTOR IN POSSESSION, PNC
BANK, NATIONAL ASSOCIATION, AND THE OFFICIAL COMMITTEE
OF UNSECURED CREDITORS**

I. INTRODUCTION

On March 11, 1999, Youngstown Osteopathic Hospital Association (the "Debtor") filed a voluntary petition for relief under chapter 11 of Title 11 (the "Bankruptcy Code") of the United States Code with the United States Bankruptcy Court for the Northern District of Ohio, Eastern Division (the "Bankruptcy Court"). The Debtor's chapter 11 case, originally assigned to the Honorable William T. Bodoh and now to the Honorable Kay Woods, is designated on the Bankruptcy Court's docket as Case No. 99-40663 (the "Chapter 11 Case").

The Debtor, PNC Bank, National Association ("PNC Bank") and the Official Committee of Unsecured Creditors (the "Creditors' Committee," and together with the Debtor and PNC Bank, the "Plan Proponents") jointly submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code in connection with soliciting acceptances of the Plan Proponents' Joint Plan of Liquidation dated April 30, 2007 (the "Plan"). The Plan provides the framework for the liquidation and distribution of the remaining assets (including any causes of action) of the Debtor's estate and conclusion of administration of this Chapter 11 Case. A copy of the Plan is attached to this Disclosure Statement as Exhibit A.

The Plan is primarily based on and funded by the net proceeds of \$1,474,618.11 realized by the Debtor in December 2006, under the Debtor's Court approved settlement of the D&O Litigation (as defined below in Article III, Section C.5). A full description of the D&O Litigation is contained below in Article V, Section F of this Disclosure Statement.

THE COURT HAS SCHEDULED A HEARING ON CONFIRMATION OF THE PLAN FOR ____:____.M. ON _____, 2007. ANY CREDITORS ENTITLED TO VOTE ON THE PLAN SHOULD HAVE RECEIVED A BALLOT IN THE SOLICITATION PACKAGE CONTAINING THIS DISCLOSURE STATEMENT. YOUR VOTE IS IMPORTANT. THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF CREDITORS. THE PLAN PROPONENTS URGE ALL CREDITORS ENTITLED TO VOTE ON THE PLAN TO VOTE IN FAVOR OF THE PLAN.

ANY SUCH CREDITOR WHO WISHES TO VOTE ON THE PLAN SHOULD (1) COMPLETE THE ENCLOSED BALLOT AND (2) MAIL THE ORIGINAL BALLOT TO BENESCH, FRIEDLANDER, COPLAN & ARONOFF LLP, 2300 BP TOWER, 200 PUBLIC SQUARE, CLEVELAND, OHIO 44114-2378, ATTN: WILLIAM E. SCHONBERG, ESQ. THE DEADLINE FOR VOTING ON THE PLAN IS _____, 2007. BALLOTS MUST BE RECEIVED BY BENESCH, FRIEDLANDER, COPLAN & ARONOFF LLP ON OR BEFORE SUCH DEADLINE IN ORDER TO BE COUNTED. BALLOTS RECEIVED AFTER THE DEADLINE WILL NOT BE COUNTED. ANY BALLOT THAT IS SUBMITTED VIA FACSIMILE OR BY E-MAIL WILL NOT BE COUNTED IN THE VOTING TO ACCEPT OR REJECT THE PLAN.

CREDITORS NEED NOT CAST A BALLOT TO RECEIVE A DISTRIBUTION UNDER THE PLAN, IF IT IS CONFIRMED. THE PLAN, IF CONFIRMED, WILL BE BINDING ON EACH AND EVERY CREDITOR OF THE DEBTOR, REGARDLESS OF WHETHER THE CREDITOR VOTED FOR OR AGAINST THE PLAN OR FILED A PROOF OF CLAIM.

THE REPRESENTATIONS IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THE DELIVERY OF THIS DISCLOSURE STATEMENT DOES NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO ACCEPT OR REJECT THE PLAN. NOTHING CONTAINED HEREIN SHALL CONSTITUTE, OR BE DEEMED TO CONSTITUTE, ADVICE ON THE TAX OR OTHER LEGAL CONSEQUENCES OF THE PLAN ON THE HOLDERS OF ADMINISTRATIVE EXPENSES OR CLAIMS.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE PLAN. IT IS NOT TO BE CONSTRUED AS ADMISSIONS OR STIPULATIONS, BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.

NO INDEPENDENT AUDIT WAS CONDUCTED OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION CONTAINED IN THE DEBTOR'S BOOKS AND RECORDS AND OTHER SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTOR'S KNOWLEDGE. THE INFORMATION IS TRUE AND

CORRECT TO THE BEST KNOWLEDGE OF THE PLAN PROPONENTS. WHILE ALL REASONABLE EFFORTS HAVE BEEN MADE UNDER THE CIRCUMSTANCES TO BE ACCURATE, THE PLAN PROPONENTS ARE UNABLE TO WARRANT OR REPRESENT THAT THIS DISCLOSURE STATEMENT IS WITHOUT ERROR. THE PLAN PROPONENTS' RESPECTIVE COUNSEL HAS NOT UNDERTAKEN ANY SEPARATE ANALYSIS OF THE INFORMATION CONTAINED HEREIN AND, THEREFORE, ALSO ARE UNABLE TO WARRANT THAT THE DISCLOSURE STATEMENT IS WITHOUT ERROR.

THE COURT APPROVED THIS DISCLOSURE STATEMENT PURSUANT TO ITS ORDER ENTERED _____, 2007 AS CONTAINING INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE A REASONABLE, HYPOTHETICAL INVESTOR TYPICAL OF CREDITORS OF THE CLASSES SET FORTH IN THE PLAN TO MAKE AN INFORMED DECISION ABOUT THE PLAN. THIS DISCLOSURE STATEMENT AND THE BALLOT ARE THE ONLY DOCUMENTS AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES WITH RESPECT TO THE PLAN. EXCEPT AS INCLUDED IN THIS DISCLOSURE STATEMENT AND THE ATTACHED EXHIBIT, NO REPRESENTATIONS ABOUT THE DEBTOR, INCLUDING WITHOUT LIMITATION, THE VALUE OF ASSETS AND AMOUNT OF ADMINISTRATIVE EXPENSES OR CLAIMS, ARE AUTHORIZED BY THE COURT. NO PERSON IS AUTHORIZED BY THE DEBTOR IN CONNECTION WITH THE PLAN OR SOLICITATION OF VOTES FOR THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT AND THE ATTACHED EXHIBIT. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR OR APPROVED BY THE COURT.

**CAPITALIZED TERMS OR TERMS NOT OTHERWISE DEFINED
HEREIN SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE
BANKRUPTCY CODE, THE BANKRUPTCY RULES OR THE PLAN.**

The Plan divides Administrative Expenses and Claims against the Debtor into seven Classes and provides separate treatment for each such Class. The Class 1 PNC Secured Claim, Class 3 Administrative Expenses, Class 4 Priority Claims, Class 5 Priority Tax Claims, Class 6 Unsecured Claims and Class 7 PNC Unsecured Claim are impaired because the Plan modifies the legal, equitable, or contractual rights attaching to the Administrative Expenses or Claims in each such Class. The Class 2 Other Secured Claims are unimpaired. Since the Debtor is a not-for-profit entity, the Plan does not classify any equity interests.

The Plan Proponents seek acceptance of the Plan by each of the impaired Classes. The impaired Classes will have accepted the Plan if ballots evidencing acceptance of the Plan are received from holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Administrative Expenses (as to Class 3) and Allowed Claims held by the Creditors in each Class who are eligible to vote and who have actually voted to accept or reject the Plan. **Note that only the Allowed Administrative Expenses and Allowed Claims actually timely voted are taken into account to determine acceptance or rejection by a Class.** Any impaired Class that fails to accept the Plan is deemed to have rejected the Plan.

Your vote on the Plan is important. The Bankruptcy Code requires for confirmation of a plan of reorganization, with certain exceptions, that each impaired Class vote to accept the Plan. Thus, except as described below, the Plan may be confirmed only if accepted by each of the impaired Classes.

If the required acceptances are not obtained, the Plan Proponents request Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits Confirmation notwithstanding rejection by one or more impaired Classes if the Court finds that the Plan does not discriminate unfairly and is “fair and equitable” with respect to the rejecting Class or Classes. Confirmation of the Plan on such basis is commonly referred to as a “cram down.” For a more detailed description of the requirements for acceptance of the Plan and of the criteria for Confirmation, notwithstanding rejection by one or more Classes, see Section XI.G. below on Confirmation Procedure – – Non Acceptance and Cram Down.

This Disclosure Statement is not intended to substitute for a careful and detailed review and analysis of the Plan by each holder of an Administrative Expense and each Creditor. The descriptions of certain provisions of the Plan contained in this Disclosure Statement are

summaries only, and each holder of an Administrative Expense and Creditors and other parties in interest are cautioned to review the Plan for a full understanding of its provisions. **This Disclosure Statement is qualified in its entirety by reference to the provisions of the Plan.**

The Plan Proponents believe that, with respect to each Class, the value of the Distributions under the Plan are greater than the value which would be received if the Chapter 11 Case was converted to a case under Chapter 7 of the Bankruptcy Code and the Estate Assets were distributed by a Chapter 7 trustee under chapter 7 of the Bankruptcy Code. For a more detailed description, see Section XI.E. below on Confirmation Procedure -- Best Interests of Creditors.

The Plan Proponents believe that the Plan provides the best means to provide the maximum possible Distributions to holders of Allowed Administrative Expenses and to Creditors holding Allowed Claims. Consequently, the Plan Proponents believe that acceptance of the Plan is in the best interests of each Class and recommend that you vote to accept the Plan.

A. Source of Information

The information contained in this Disclosure Statement was obtained from the Debtor's books and records, from the schedules of assets and liabilities of the Debtor filed with the Court on or about April 19, 1999 (as may be thereafter amended), and from various other pleadings and documents filed with the Court in connection with the Chapter 11 Case.

B. Voting Instructions

The ballot forwarded to you with this Disclosure Statement has been specifically designed for the purpose of soliciting votes on the Plan from each Class entitled to vote. Accordingly, please use only the ballot(s) sent to you with this Disclosure Statement, complete it fully, sign the original, and return it in the enclosed envelope.

To simplify the voting procedure, ballots have been sent to all known holders of Administrative Expenses and Claims. However, the Bankruptcy Code provides that only holders of Allowed Administrative Expenses and Allowed Claims are entitled to vote on the Plan. An Administrative Expense or Claim to which an objection is filed is not an Allowed Administrative Expense or an Allowed Claim unless and until the Court rules on the objection and, therefore, a Disputed Administrative Expense or Disputed Claim may not be considered in the vote tabulations.

YOUR BALLOT, TO BE COUNTED, MUST BE COMPLETED AS SET FORTH ABOVE, MAILED AND RECEIVED AT THE FOLLOWING ADDRESS NO LATER THAN _____, 2007 BY 5:00 P.M. EASTERN TIME:

William E. Schonberg, Esq.
Benesch, Friedlander, Coplan & Aronoff LLP
2300 BP Tower
200 Public Square
Cleveland, Ohio 44114-2378
(216) 363-4500

ANY BALLOT THAT IS NOT EXECUTED BY A DULY AUTHORIZED PERSON SHALL NOT BE COUNTED. ANY BALLOTS RECEIVED THAT DO NOT INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN, OR THAT INDICATE BOTH ACCEPTANCE AND REJECTION OF THE PLAN, WILL BE DEEMED ACCEPTANCES OF THE PLAN. HOLDERS OF ADMINISTRATIVE EXPENSES AND CREDITORS WHO FAIL TO TIMELY VOTE WILL NOT BE COUNTED IN THE CALCULATION OF WHETHER A CLASS HAS ACCEPTED OR REJECTED THE PLAN. ANY BALLOT THAT IS SUBMITTED VIA FACSIMILE, EMAIL OR OTHER ELECTRONIC MEANS WILL NOT BE COUNTED IN THE VOTING TO ACCEPT OR REJECT THE PLAN.

C. Objections

Any objection to Confirmation of the Plan must be in writing, must comply with the Bankruptcy Rules and Local Rules of the Bankruptcy Court, and must be filed with the Bankruptcy Court, United States Courthouse, Federal Building & U.S. Courthouse, 10 East Commerce Street, Youngstown, Ohio 44503-1621, and served so as to be received by William E. Schonberg, Esq., BENESCH, FRIEDLANDER, COPLAN & ARONOFF LLP, 200 Public Square, Suite 2300, Cleveland, Ohio 44114, counsel for the Debtor; Timothy M. Reardon, Esq., NADLER, NADLER & BURDMAN CO., LPA, 20 Federal Plaza West, Suite 600, Youngstown, Ohio 44503, counsel for the Creditors' Committee; Joel M. Helmrich, Esq., MEYER, UNKOVIC & SCOTT LLP, 1300 Oliver Building, Pittsburgh, Pennsylvania 15222, counsel for PNC Bank; and the UNITED STATES TRUSTEE, Howard Metzenbaum U.S. Courthouse, 201 Superior Avenue, Suite 441, Cleveland, Ohio 44114, Attn: Amy L. Good, Esq., no later than _____, 2007 at 4:00 p.m. (Eastern time).

II. RULES OF CONSTRUCTION

The rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the interpretation of the provisions of the Plan. Any capitalized term used in the Plan that is not defined therein but that is used in the Bankruptcy Code shall have the meaning assigned to such term in the Bankruptcy Code.

The use of the plural form in this Disclosure Statement or in the Plan shall include the singular, and vice versa.

When used in the Plan or this Disclosure Statement, the words "includes" and "including" are not limiting, the word "or" is not exclusive, and the words "may not" are prohibitive and not permissive.

References in the Plan or this Disclosure Statement to the filing of documents shall refer to the delivery of such documents to the Clerk of the Court and the entry upon the appropriate legal docket by the clerk or his or her designee of a notation of the receipt and filing thereof.

In computing any period of time prescribed or allowed under the Plan, unless otherwise set forth therein, the provisions of Bankruptcy Rule 9006(a) shall apply.

III. INFORMATION REGARDING THE DEBTOR

A. Historical Background of the Debtor

The Debtor is an Ohio not-for-profit corporation, incorporated in 1945, which operated an acute care hospital facility in Youngstown, Ohio. Located approximately two miles from the city's downtown central business district, the Debtor's former hospital facilities (the "Hospital Facility") were built on approximately eight acres and consisted of several connected buildings — ranging from two stories to five stories — constructed from 1954 through 1989, together totaling more than 220,000 square feet. The Debtor ceased operations on March 31, 2000, and on November 2, 2001, the Court entered an order approving the sale of the Hospital Facility to CMD Realty Group for \$150,000.

Given that the Debtor is a not-for-profit corporation, there are no holders of equity interests in the Debtor. The Debtor's affairs were governed and managed by its Board of Trustees.

Prior to discharging all its patients and ceasing its operations on March 31, 2000, the Debtor provided its clientele with a full range of services and specialties including Family Practice Medicine, Anesthesiology, Cardiology, Cardiothoracic and Cardiovascular Surgery, Dentistry, Dermatology, Emergency Medicine, General Surgery, Internal Medicine, Neurology and Neurosurgery, Obstetrics and Gynecology, Ophthalmology (laser surgery), Orthopedics and Orthopedic Surgery, Otorhinolaryngology (ear, nose and throat), Pain Management and

Biofeedback Therapy, Pathology, Pediatrics, Rehabilitative and Sports Medicine, Podiatry, Proctology, Psychiatry, Radiology, Urology and Urological Surgery, and Vascular Surgery. The Debtor also provided a wide range of ancillary services, including physical therapy, respiratory therapy, respiratory rehabilitation, laboratory, blood bank, nuclear medicine, radiology, ultrasound, CT scanning, EEG, EMG, halter monitoring and EKG. The Debtor's primary service area included northern Mahoning County and southern Trumbull County.

In addition, the Debtor was the only osteopathic teaching hospital in Mahoning County, affiliated with The Ohio University College of Osteopathic Medicine (the "University") in Athens, Ohio. In 1976, the Debtor was designated as the University's Regional Medical Campus for the training of advanced medical students and served as the University's regional teaching center in Northeast Ohio until the Debtor ceased its operations. Medical students from across the country came to the hospital for further training and residencies.

At the time of the hospital's closing, there were approximately 183 physicians on the Debtor's medical staff. The medical staff included (i) privately practicing physicians who had been granted privileges to admit patients to the hospital and (ii) full-time, hospital-based physicians who admitted patients or assisted other members of the medical staff in the care of acutely ill, high risk patients. In addition to the medical staff, approximately twenty physicians were permitted to consult, perform surgery, and write orders at the hospital, but did not have admitting privileges.

The medical staff was supported by approximately 350 full and part-time employees. The seventy-three registered nurses employed by the Debtor were represented by the Ohio Nurses Association ("ONA"). The Youngstown Osteopathic Hospital Employees Association ("YOHEA") represented the licensed practical nurses and certain department personnel, and the

International Brotherhood of Teamsters, Teamsters Local Union No. 377 (the "Teamsters") represented housekeeping, maintenance and clerical workers. (The medical staff, registered nurses, licensed practical nurses, support staff, management, and all other individuals formerly on the Debtor's payroll are hereinafter collectively referred to as the "Employees" and ONA, YOHEA, and the Teamsters are hereinafter collectively to as the "Unions").

The last complete independent financial audit of the Debtor occurred for the year ending December 31, 1996. The 1997 financial audit remains incomplete. Audit adjustments contained in the 1997 audit, including reserves against receivables, were not made. According to unaudited financial statements as of December 31, 1998, the most recent date for which such information is available, the Debtor had aggregate assets with a book value of approximately \$22,168,751 and aggregate liabilities of approximately \$14,958,613. For the year ending December 31, 1998, the Debtor had gross revenues of approximately \$40,660,000.

B. Principal Factors Leading to the Chapter 11 Filing

The financial difficulties that led to the commencement of the Chapter 11 Case were attributable to a number of factors. Prior to the Petition Date, the Debtor was experiencing significant cash flow restrictions, exacerbated by the questionable collectibility of a \$2 million receivable. Approximately \$2.7 million of vendor payables were aged over 120 days and a significant portion of the vendor community had imposed COD terms. The Debtor had also suffered from the destabilizing effects of a senior management shake-up, which included the departure of its CEO and CFO and the removal of Montrose Management, the management company that had controlled the Debtor's operations for the three years prior to the Petition Date. Although accounts receivable collections had begun to improve prior to the Petition Date, continued cash flow problems and the need to closely examine all facets of its cost structure

while obtaining a breathing spell during which the Debtor could stabilize its operations precipitated the commencement of this case.

C. Significant Events During Reorganization

1. **Refocusing and Streamlining of Operations.** Following the commencement of the Chapter 11 Case, the Debtor continued to operate its business as debtor in possession under the Bankruptcy Code. During the Chapter 11 Case, the Court exercised certain supervisory powers over the Debtor's operations, including reviewing and ruling upon any objections raised to the Debtor's proposed transactions or operations. The Debtor notified parties in interest and obtained Court approval of transactions outside the ordinary course of business, the use of cash collateral, and the employment of attorneys and other professionals.

During the first few months of its Chapter 11 Case, the Debtor made substantial progress towards stabilizing its business both operationally and financially. Under its new management team — then led by William Lawrence, as the Debtor's acting Chief Executive Officer — the Debtor engaged in a comprehensive review of its operations, identified areas in which expenses could be reduced, and implemented numerous cost cutting measures.

Throughout this stabilization process the Debtor made significant progress by (i) utilizing its ability to seek relief under the Bankruptcy Code from several burdensome contracts, (ii) seeking authority to retain numerous professionals necessary to the Debtor's day to day operations, including a consultant to expedite the Medicare reimbursement process, and (iii) taking aggressive steps to collect outstanding receivables. The Debtor also worked diligently in analyzing and asserting claims to avoid preferential transfers. Preference recoveries in excess of approximately \$390,000 have been obtained. Substantial efforts were also taken together with the Creditors' Committee and PNC Bank to achieve a financial downsizing and to restructure the hospital's operations.

2. **Postpetition Financing.** The Debtor's approximate \$5.6 million prepetition secured indebtedness was based primarily on certain bonds (the "Bonds") issued by the County of Mahoning, officially designated as the "\$7,200,000 County of Mahoning, Ohio Hospital Facilities Revenue Bonds, Series 1990 (Youngstown Osteopathic Hospital Project)." To ensure timely payments to the bondholders, the Debtor arranged for a letter of credit (the "Letter of Credit") originally with Marine Bank, of which PNC Bank is the successor. In connection with the Letter of Credit, PNC Bank was granted a lien (the "PNC Lien") encumbering substantially all of the Debtor's real and personal property, including its gross revenues, as defined in a "Mortgage and Security Agreement" and "Security Agreement (Gross Revenues)." National City Bank ("NCB"), which was scheduled by the Debtor as holding a Claim in the amount of \$250,000, asserted a lien against the Debtor's assets junior in priority to that of PNC Bank.

The Debtor's first major action after the Petition Date was to ensure its continued use of PNC Bank's cash collateral for purchasing supplies from vendors and continuing its daily operations. This access to a sufficient source of working capital and financing was essential to maintain the confidence of suppliers, physicians, and employees. Without their confidence, the Debtor would have been unable to maintain its quality patient care services. The Debtor reached agreements with PNC Bank and the Creditors' Committee, as approved by the Court, to permit its continued use of cash collateral in its operations.

3. **Employment of Professionals by the Debtor.** The Debtor has been represented in the Chapter 11 Case by the law firm of Benesch, Friedlander, Coplan & Aronoff LLP.

4. **The Creditors' Committee.** The Bankruptcy Code authorizes the appointment of a committee of creditors holding unsecured claims to represent all unsecured creditors. On March 22, 1999, the Creditors' Committee was appointed to represent the interests of all

unsecured creditors in the Chapter 11 Case. The Creditors' Committee retained the law firm of Nadler, Nadler & Burdman Co., L.P.A. as counsel. The members of the Creditors' Committee (originally appointed by the United States Trustee's Office) were as follows:

Mid American Imaging, Inc.
Northern Haserot
Tiffany Medical Group
Owens & Minor
Montrose Management, Inc.
Diversified Therapy Corp.
Teamsters Local Union No. 377 Health and Welfare Fund

The current members of the Creditors' Committee are as follows:

Mid American Imaging, Inc.
Northern Haserot
Owens & Minor
Diversified Therapy Corp.
Teamsters Local Union No. 377 Health and Welfare Fund

5. **Employment of Special Litigation Counsel.** On March 8, 2001, approximately one (1) year after the Debtor closed its Hospital Facility, the Court entered its Order authorizing the Debtor to retain the law firm of Meyer, Unkovic & Scott LLP ("MUS") as special litigation counsel. Specifically, MUS was retained to pursue claims of the Debtor's estate against the Debtor's former officers and its Trustees, including claims which may be covered by the Debtor's Directors' and Officers' liability insurance policies (the "D&O Litigation"). The D&O Litigation is described in more detail below in Article V, Section F.

6. **Claims Process and Bar Date.** The Bankruptcy Court established January 21, 2000, as the Bar Date by which all Creditors allegedly holding pre-petition Claims against the Debtor were required to file their proofs of Claim or forever be barred from (i) asserting any Claim against the Debtor and (ii) voting upon or receiving Distributions under the Plan. Pursuant to Bankruptcy Rule 3003(c)(2), any Creditor whose Claim was not scheduled by the Debtor or was scheduled as disputed, contingent or unliquidated, and who failed to file a proof of

Claim on or before the Bar Date will not be treated as a Creditor with respect to that Claim for purposes of voting on, or receiving a Distribution under, the Plan. Claims arising out of the rejection of executory contracts or unexpired leases after entry of the order establishing the Bar Date or prior to entry of an order confirming the Plan must be filed on or before the latter of (i) thirty (30) days following service of notice of the order approving such rejection and (ii) the Bar Date.

Approximately 560 Claims were filed in this Chapter 11 Case as of the Bar Date. The Liquidation Agent and his professionals will work to resolve as many Claims as possible and, where necessary, file objections to the allowances of such Claims. The deadline for the filing of objections to such Claims is (A) 120 days after the Effective Date or (B) such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice.

7. **Bar Date for Administrative Expenses.**

a. **General Administrative Expense Bar Date Provisions**

The Court established July 15, 2002, as the Administrative Bar Date by which all persons and entities, including all individuals, former and present employees, partnerships, corporations, estates, trusts, and governmental units, were required to file a request for payment of or a proof of claim evidencing an alleged Administrative Expense against the Debtor. The Administrative Bar Date applies to all holders of an alleged Administrative Expense, except those held by Professionals appointed pursuant to section 327 and/or 328 of the Bankruptcy Code. Holders of an Administrative Expense that were required to file and serve such a proof of Administrative Expense or a request for payment of an Administrative Expense and that did not file and serve such by the applicable Administrative Bar Date, are barred from asserting such Administrative Expense against the Debtor, the Liquidation Agent or the Estate Assets.

Objections to such proofs of claim or requests must be filed and served on the holder asserting such Administrative Expense by the later of (A) 120 days after the Effective Date or (B) such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice.

b. **Bar Date for Administrative Expenses for Professional Compensation**

Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must file and serve on the Debtor, the Liquidation Agent, counsel for the Creditors' Committee, counsel for PNC Bank and the United States Trustee for this Region, an application for final allowance of such Fee Claim no later than 45 days after the Effective Date. Objections to any Fee Claim must be filed and served on the parties that were served with such application and the requesting party by the later of 65 days after the Effective Date, 20 days after the filing of the applicable application or such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice.

8. **Employee-Related Matters.** The Debtor considered its Employees to be among its most valuable assets and believed that the continued cooperation and support of its Employees was essential to its successful reorganization. Accordingly, the Debtor took certain actions in the Bankruptcy Court to ensure employee support and minimize any salary, wage, and employee benefit disruptions that might otherwise have been occasioned by the commencement of the Chapter 11 Case. In that respect, the Debtor applied for, and the Bankruptcy Court issued, an order authorizing the Debtor to pay certain prepetition wages and salaries and reimburse the Employees for business expenses incurred prior to the filing of the Chapter 11 Case.

The Debtor also attempted to obtain, by mutual agreement, modification of the collective bargaining agreements with the three Unions representing the majority of its Employees. Only

after such efforts proved unsuccessful did the Debtor file motions to reject one or more of the Debtor's collective bargaining agreements under section 1113 of the Bankruptcy Code.

The Debtor, in ongoing negotiations with the Unions, made proposals regarding certain wage and benefit provisions contained in the collective bargaining agreements. The proposed modifications were rejected by the Unions, compelling the Debtor to seek interim relief under section 1113(e) of the Bankruptcy Code. The Bankruptcy Court granted the Debtor's request for interim relief. At the time the Hospital Facility ceased operations, the Debtor was operating within the parameters of the modified collective bargaining agreements with ONA and YOHEA. The Debtor eventually obtained the Bankruptcy Court's authority to reject the collective bargaining agreement with the Teamsters.

9. **Preferences and Fraudulent Transfers.** Pursuant to the Bankruptcy Code, a debtor may avoid and recover certain transfers of property that are preferential, including payments of cash made while the debtor was insolvent during the ninety (90) days immediately before the filing of the debtor's chapter 11 case in respect of pre-existing debts, to the extent that the transferee received more than it would have received on account of the pre-existing debt if the debtor had been liquidated under chapter 7 of the Bankruptcy Code.

Under the Bankruptcy Code and various state laws, a debtor may also recover "fraudulent transfers" or "fraudulent conveyances" (that is, transfers of property, including the grant of a security interest in property, made while the debtor was insolvent or which rendered the debtor insolvent if the debtor received less than fair value for the property transferred).

The Debtor conducted an analysis of any such transfers made prior to the commencement of the Chapter 11 Case. At this time, preference recoveries in excess of approximately \$390,000 have been obtained.

10. **The Pathways Litigation.** On June 26, 2002, the Bankruptcy Court entered an order granting, in part, the Debtor's motion for summary judgment in the matter styled as *Youngstown Osteopathic Hospital Association v. Pathways Center For Geriatric Psychiatry, Inc. et al., Adversary No. 01-4098* (the "Pathways Litigation"), and awarded the Debtor a judgment in the amount of \$735,000 (the "Pathways Judgment"), jointly and severally, against each of the defendants. Subsequently, the Debtor, pursuant to the Bankruptcy Court's order dated October 31, 2002, assigned its interest in the Pathways Judgment to JADCO Limited Partnership in exchange for cash payments totaling \$500,000.

11. **Recovery Litigation.** During the Chapter 11 Case, the Debtor initiated numerous adversary proceedings to recover amounts allegedly due to or recoverable by the Debtor. Upon Confirmation of the Plan, any such pending adversary proceedings and any other Estate Claims or judgments will vest in the Liquidating Debtor and may be brought, filed, prosecuted and collected by the Liquidation Agent pursuant to the terms of the Plan.

12. **Classified Administrative Expenses and Claims Against the Debtor.** On or about April 19, 1999, the Debtor filed with the Bankruptcy Court its Schedules of Assets and Liabilities (the "Schedules") pursuant to section 521 of the Bankruptcy Code. During the Chapter 11 Case, Creditors filed proofs of Administrative Expenses and proofs of Claim with the Bankruptcy Court asserting Administrative Expenses and Claims, respectively, against the Debtor. This section of the Disclosure Statement summarizes the Class of Administrative Expenses and each Class of Claims as classified in the Plan.

Classified Claims:

- a. PNC Secured Claim (Class 1). Class 1 consists of the Allowed Secured Claim of PNC Bank, which is entitled to treatment under section 506 of the Bankruptcy Code, the Liquidating Plan Term Sheet and orders entered by the Bankruptcy Court.
- b. Other Secured Claims (Class 2). Class 2 consists of all Secured Claims, other than the PNC Secured Claim, which are allowed and entitled to treatment under section 506 of the Bankruptcy Code and orders entered by the Bankruptcy Court.
- c. Administrative Expenses (Class 3). Class 3 consists of those outstanding expenses incurred by the Debtor in the operation of its business and costs of the administration of the Chapter 11 Case as may be allowed under section 503(b) of the Bankruptcy Code as Administrative Expenses.
- d. Priority Claims (Class 4).
 - (i) Priority Employee Wage Claims. Outstanding Unsecured Claims of Employees for wages, salaries, or commissions, including vacation, severance, and sick leave pay, that are entitled to priority distribution under section 507(a)(3) of the Bankruptcy Code. The Debtor scheduled priority unsecured Employee wage Claims in the amount of \$709,428.74, many or most of which Claims the Debtor paid after the Petition Date.
 - (ii) Priority Employee Benefit Claims. Unsecured Claims of Employees for contribution to employee benefit plans that are entitled to priority distribution under section 507(a)(4) of the Bankruptcy Code. The Debtor scheduled Claims based on contributions to employee benefit plans in the amount of \$842,579.29, a number of which Claims were satisfied after the Petition Date.
- e. Priority Tax Claims (Class 5). Unsecured Claims of governmental taxing authorities that are entitled to priority in distribution under section 507(a)(7) of the Bankruptcy Code. The Debtor scheduled Priority Tax Claims in the amount of \$382,470.35.
- f. Unsecured Claims (Class 6). Scheduled general Unsecured Claims against the Debtor total approximately \$6,183,392.86. The general Unsecured Claims include Claims for goods sold and services rendered to the Debtor before the commencement of this Chapter 11 Case.
- g. PNC Unsecured Claim (Class 7). The Unsecured Claim of PNC Bank in the amount of \$2,036,700.66.

13. **Sale of the Debtor's Furniture, Fixtures, and Equipment.** On March 31, 2000, the Debtor terminated all business operations and closed its Hospital Facility. On July 31, 2000, the Bankruptcy Court entered an order approving the sale of substantially all the Debtor's furniture, fixtures, and equipment (the "FF&E") to International Asset Recovery, Inc. ("IAR"). IAR submitted the highest and best bid for the FF&E, pursuant to competitive bidding procedures approved by the Bankruptcy Court. The purchase price paid for the FF&E was \$585,000. A dispute subsequently arose between the Debtor and IAR, which resulted in an adjustment to the purchase price of \$12,900. The ultimate purchase price, therefore, was \$572,100. These funds were subject to a valid perfected lien in favor of PNC Bank and they were turned over to PNC Bank in the fall of 2000.

14. **Sale of the Debtor's Real Property.** On November 2, 2001, the Bankruptcy Court approved the sale of the Debtor's Hospital Facility to CMD Realty Group ("CMD"). CMD submitted the highest and best bid for the Hospital Facility, pursuant to competitive bidding procedures approved by the Bankruptcy Court. The purchase price for the Hospital Facility was \$150,000. In addition, the Bankruptcy Court authorized the sales of two business condominiums of the Debtor (the "Condominiums"). The gross purchase prices for the Condominiums were \$63,900 and \$49,000, respectively.

15. **Disposal of Records.** On April 10, 2002, the Bankruptcy Court entered an order authorizing the Debtor to implement a procedure for the disposal of former patients' medical records (the "Medical Records"). On June 10, 2002, the Bankruptcy Court entered an order authorizing the Debtor to dispose of surplus records, exclusive of the Medical Records. By obtaining this relief, the Debtor was relieved of the burden of paying storage charges related to

storage of these records. Pursuant to the Bankruptcy Court-approved Medical Records procedure, the Debtor subsequently disposed of all Medical Records.

16. **Liquidating Plan Term Sheet.** To provide for an orderly liquidation of the Debtor's assets, including prosecution of the Estate Claims and distribution of proceeds to holders of Administrative Expenses and to Creditors, the Plan Proponents negotiated the terms and conditions of a Liquidating Plan Term Sheet. On March 8, 2001, the Bankruptcy Court entered an Order approving the Liquidating Plan Term Sheet. The general terms of the Liquidating Plan Term Sheet provide for (i) interim distributions of certain identified Cash of the Estate and (ii) the settlement of significant outstanding issues between the Debtor, the Creditors' Committee and PNC Bank respecting the Debtor's liquidation and distribution of Estate Assets. Specifically, PNC Bank agreed to share its lien in its Collateral, and the proceeds of its lien in certain Collateral, with the Estate, including by the establishment of the General Unsecured Creditor Carveout, pursuant to the terms of the Liquidating Plan Term Sheet. The Plan embodies and implements the Plan Proponents' agreement under the Liquidating Plan Term Sheet.

17. **D&O Litigation.** After the Debtor terminated its operations, sold its Hospital Facility and reached agreement on the Liquidating Plan Term Sheet, the Debtor analyzed whether its Estate held claims against any Person or entity, including its present or former insiders, that may be prosecuted for the benefit of the Estate. The Debtor pursued this analysis consistent with its fiduciary duty to its Creditors to maximize the value of its Estate.

In March 2001, the Debtor filed the D&O Litigation against former officers and many of its Trustees. The D&O Litigation is described below in Article V, Section F.

18. **Current Condition of the Debtor.** The Debtor has not operated its business since March 31, 2000. With the recent conclusion of the D&O Litigation, the Debtor has

substantially completed liquidating the Estate Assets. The Debtor's Estate now consists primarily of Cash in the aggregate amount of \$1,987,335.89 (as of January 31, 2007) and possible remaining Estate Claims of unknown value. Upon Confirmation of the Plan, the Estate Assets, including the Estate Claims, will vest in the Liquidating Debtor and the Liquidation Agent, selected by the Creditors' Committee with the consent of PNC Bank, will conclude the prosecution, liquidation and Distribution of the Estate Assets in accordance with the Plan.

19. Alleged Administrative Expense of Centers for Medicare & Medicaid

Services. On July 18, 2002, the U.S. Department of Health & Human Services ("H&HS") filed a proof of Administrative Expense after the established Administrative Bar Date in the amount of \$498,240 on behalf of the Centers for Medicare & Medicaid Services. This Administrative Expense is based on amounts allegedly received by the Debtor after the Debtor was allegedly terminated from the Medicare Program. The Debtor has filed an objection to the allowance of such Administrative Expense, requesting that the Court enter an order declaring that H&HS is barred, estopped and enjoined from receiving any Distributions under the Plan or asserting any Administrative Expense against the Estate Assets or PNC Bank. The Liquidating Debtor or the Liquidation Agent, in consultation with the Creditors' Committee, will determine whether there exists an Estate Claim against H&HS and/or the Centers for Medicare and Medicaid Services for refunds due as a result of overpayments made by, and/or underpayments made to, the Debtor. Any such Estate Claim will vest in the Liquidating Debtor and, if warranted, be prosecuted by the Liquidation Agent. The value and/or amount of any such Estate Claim may, pursuant to sections 553 and 558 of the Bankruptcy Code and other applicable law and subject to the terms of the Plan, serve to reduce any Claim (including a Priority Claim) held by any such governmental entities or agencies against the Debtor.

IV. THE ESTATE

A. Estate Assets

Under the Liquidating Plan Term Sheet, the following categories of assets and the proceeds thereof remained in the Estate to fund the Debtor's wind-down expenses:

1. Cash - General Account; \$1,987,335.89 (at 1/31/07), inclusive of all cash items in numbers 2 through 10 below.
2. Cash - preference claims (plus other preference recoveries); approximately \$390,000 (included in 1 above).
3. IAR/SEELAND extension fee (plus any other IAR/SEELAND extension); \$35,000 (any such amount included in 1 above).
4. Ashley/Montrose recovery; estimated at \$40,000 (any such amount included in 1 above).
5. One-half of patient A/R; estimated at \$132,918 (any such amount included in 1 above).
6. One-half of A/R Medicare/Medicaid/Government; estimated at \$55,000 (any such amount included in 1 above).
7. Proceeds from sales of condominiums; \$112,900 gross (net proceeds included in 1 above).
8. Two-thirds of net proceeds realized on sale of Hospital Facility; \$150,000 gross (net proceeds included in 1 above).
9. 75% of proceeds of all litigation, including fraudulent conveyance actions (excluding preference recoveries of which 100% of the amount recovered stays in the Estate); \$2,875,000.00 gross D&O Litigation recovery (net proceeds included in 1 above).
10. 75% of net proceeds from any other source.

B. Liabilities

1. Secured Claims

As of the Petition Date, the Debtor identified the following Persons that may have held or asserted Secured Claims against the Debtor:

<u>Creditor</u>	<u>Collateral</u>	<u>Principal Amount Owed</u>
Ameritech Credit Corp.	Equipment	\$ 187,000
Beckton Dickson	Equipment	Unknown
BioMerieux Vitek, Inc.	Equipment	\$ 18,000
Colonial Pacific Leasing	Equipment	\$ 49,000
Comdoc Leasing	Equipment	\$ 18,000
Community 1 st Federal	Equipment	\$ 600,000
G.E. Corp.	Equipment	\$ 475,000
Hewlett-Packard	Equipment	\$ 70,000
Mahoning Bank	Real Property ¹	\$ 6,640
Med One Marketing	Equipment	Unknown
National City Bank	Blanket Lien	\$ 250,000
National City Leasing	Equipment	\$ 40,000
Olympus America, Inc.	Equipment	Unknown
PNC Bank	Blanket Lien (Senior)	\$ 5,425,000

¹ Mortgage on condominium located at 3038 Green Acres, Unit 101, Liberty, OH.

As of December 1, 2006, PNC Bank had received an aggregate \$3,287,766.84 in distributions from the Debtor or from assets of the Debtor on account of its PNC Secured Claim. In January 2007, the Debtor made an additional distribution of \$466,566.94 to PNC Bank on account of its PNC Secured Claim from proceeds recovered under the D&O Litigation. The Debtor believes that PNC Bank presently holds an Unsecured Claim in the amount of \$2,036,700.66 (the PNC Unsecured Claim), which is classified in Class 7 in the Plan.

2. Administrative Expenses

The total amount of asserted Administrative Expenses is approximately \$2,644,000.00. The amount of Allowed Administrative Expenses entitled to Distribution under the Plan will be subject to the Bankruptcy Court's determination based on the Debtor's recently filed Objections to allowance of certain Administrative Expenses.

3. Priority Claims

As of the Petition Date, the Debtor's Schedules listed Priority Claims and Priority Tax Claims in the aggregate amount of \$1,934,122.78, some or all of which the Debtor may have paid subsequent to the Petition Date.

4. General Unsecured Claims

As of the Petition Date, the Debtor's Schedules listed general Unsecured Claims (excluding the PNC Unsecured Claim) in the total amount of \$6,183,392.86.

5. PNC Unsecured Claim

PNC Bank holds an Unsecured Claim, as an unsecured deficiency Claim, in the amount of \$2,036,700.66.

V. SUMMARY OF THE PLAN

The following is a brief description of the significant provisions of the Plan. This is only a summary of the Plan and is not a substitute for a full and complete reading of the Plan. A copy

of the Plan is attached hereto as Exhibit A. Holders of Administrative Expenses and Creditors are referred to the Plan for a more thorough discussion of the provisions of the Plan. In the case of any discrepancies between the terms of the Plan and the discussion of the Plan in this Disclosure Statement, the terms of the Plan shall govern.

A. Summary

The Plan is based on the Debtor's December 2006 realization of its net share of an aggregate \$2,875,000.00 settlement recovery under the D&O Litigation (as described in Section F below). The Plan is designed to effect Distributions of the Estate Assets (including the net recovery from the D&O Litigation) on account of Allowed Administrative Expenses, Allowed Priority Claims, Allowed Priority Tax Claims and Allowed Unsecured Claims consistent with the Liquidating Plan Term Sheet and Orders entered by the Court. Specifically, the Debtor's recent realization of a settlement recovery in the D&O Litigation enables the Plan Proponents to consummate their agreements as reflected in the Liquidating Plan Term Sheet and seek Confirmation of the Plan.

The Debtor believes that the Plan provides holders of Allowed Administrative Expenses and Creditors holding Allowed Claims with the prospect of a Distribution on account thereof in an amount greater than they would receive if the Debtor's Chapter 11 Case was converted to a case under chapter 7 of the Bankruptcy Code.

As described below, the Plan provides for the transfer of all Estate Assets, not otherwise distributed to PNC Bank, to the Liquidating Debtor, to vest in the Liquidating Debtor and to be pursued, prosecuted and/or collected by the Liquidation Agent for Distribution by the Liquidation Agent on account of all Allowed Administrative Expenses and Allowed Claims. Upon Confirmation of the Plan, all such Estate Assets will be managed by the Liquidation Agent pursuant to the terms of the Plan. The Liquidation Agent will invest the Cash and distribute

Cash pursuant to the terms of the Plan. However, there is no assurance that each Class under the Plan will receive a Distribution.

B. Liquidation Agent and Liquidation Account; Vesting of Estate Assets

On the Effective Date, the Estate Assets will be transferred to and will vest in the Liquidating Debtor, subject to the terms of the Liquidating Plan Term Sheet and the Plan. The Liquidation Agent shall prosecute any Estate Claims and otherwise manage, liquidate, collect and Distribute all Estate Assets for the benefit of holders of Administrative Expenses and Creditors until any remaining Estate Assets have been converted to Cash and all Cash and Estate Assets are Distributed and/or otherwise administered under the Plan.

The Estate Assets include all assets of the Estate, and any proceeds thereof, and any and all claims, powers, and causes of action belonging to the Debtor, including, without limitation, except for the liens and interests of PNC Bank as described in the Liquidating Plan Term Sheet (i) claims for transfers of property or interests in property which are avoidable and recoverable by the Debtor under the Bankruptcy Code or under any applicable state or federal law; (ii) claims of the Debtor against any Person or entity relating to any act, conduct or relationship of any Person or entity with and/or against the Debtor, including any such claim against any Creditor which could result in subordination of such Creditor's Claim under the Bankruptcy Code or any applicable state or federal law; (iii) claims of the Debtor against any Person or entity relating to any act or conduct which could constitute a violation of any principle of law or equity; and (iv) claims of the Debtor respecting any and all property of or acquired by the Debtor. The Estate Assets consisting of Cash shall be deposited into the Liquidation Account, which shall be established in accordance with section 345 of the Bankruptcy Code and administered by the Liquidation Agent.

The Liquidation Agent will be responsible for managing the Estate Assets and Liquidation Account according to the provisions of the Plan and for making Distributions on account of Allowed Administrative Expenses and Allowed Claims as provided therein. All receipts by the Liquidating Debtor, the Creditors' Committee or the Liquidation Agent of proceeds of any of the Estate Assets, including proceeds of any Estate Claims, shall be deposited in the Liquidation Account.

The Plan sets forth the obligations and duties of the Liquidation Agent. Among the powers given to the Liquidation Agent in the Plan are the powers to commence and prosecute Estate Claims and to make Distributions of the Estate Assets from the Liquidation Account to the holders of Allowed Administrative Expenses and Allowed Claims according to the terms of the Plan and to pay proper and necessary obligations in connection with the performance of his duties as the Liquidation Agent. Compensation of the Liquidation Agent is governed by the Plan.

C. Allowance of Claims

The Plan provides for Distributions to be made only to holders of Allowed Administrative Expenses and Allowed Claims in the various classes. In general, there are two ways in which a Claim may become an Allowed Claim entitled to distribution under the Plan. First, the Debtor has previously filed with the Court the Schedules, which set forth all Claims against the Debtor at the time the Debtor commenced the Chapter 11 Case as reflected in its financial records. Unless the Schedules have denominated a particular Claim as "contingent," "unliquidated," or "disputed," a scheduled Claim is deemed to be an Allowed Claim unless the Debtor or any other interested party files an objection to such Claim, any such Claim has been satisfied (in whole or in part) or any such Claim is subject to set off or other applicable defense. If an objection is made, the validity, priority, and amount of the Claim will be determined by the

Court following a hearing. The Debtor disputes all tort claims as well as all Secured Claims other than the PNC Secured Claim.

The second method by which a Claim may become an Allowed Claim is through the timely filing of a proof of Claim. Such a filing is required in order to assert any Claim not reflected in the Schedules or any Claim listed in the Schedules as “contingent,” “unliquidated,” or “disputed.” A proof of Claim is also required by any person seeking to assert an amount different than the amount the Debtor scheduled or to assert a classification different from that shown in the Schedules. Upon filing, a proof of Claim supersedes the information contained in the Schedules. As with scheduled Claims, a Claim asserted by means of a proof of Claim will become an Allowed Claim unless an objection to it is filed. Upon objection, the Court will determine the validity, amount, and priority of the Claim after a hearing.

D. Classification and Treatment of Administrative Expenses and Claims

1. Classification of Claims. The Plan divides Administrative Expenses and Claims against the Estate, other than Unclassified Claims, into Classes based upon the legal rights of such Administrative Expenses and Claims, and provides for treatment thereof from the Estate Assets. Only Allowed Administrative Expenses and Allowed Claims shall receive Distributions under the Plan. Administrative Expenses and Claims that have not become Allowed Administrative Expenses and Allowed Claims or that are subject to an objection before the Court or other pending litigation shall be entitled to receive Distribution(s) under the Plan only if and after they become Allowed Administrative Expenses and Allowed Claims.

The Plan establishes the following Classes:

1. PNC Secured Claim (Class 1)
2. Other Secured Claims (Class 2)
3. Administrative Expenses (Class 3)

4. Priority Claims (Class 4)
5. Priority Tax Claims (Class 5)
6. Unsecured Claims (Class 6)
7. PNC Unsecured Claim (Class 7)

The Plan classifies Administrative Expenses and Claims in accordance with the Bankruptcy Code and provides different treatment for each of the different Classes. Upon Confirmation, all Administrative Expenses and Claims will be discharged, except for Distributions provided for in the Plan and the Confirmation Order. A brief description, qualified in all respects by reference to the Plan itself, of each Class and its respective treatment under the Plan follows.

The Plan contemplates Cash Distributions, without interest, to Persons holding Allowed Administrative Expenses and Allowed Claims in the various Classes as described below. The Bankruptcy Code does not require certain Administrative Expenses, Priority Claims and Priority Tax Claims to be classified under the Plan. However, the Estate may be administratively insolvent and Allowed Administrative Expenses, Allowed Priority Claims and Allowed Priority Tax Claims may not be paid in full, in Cash, on the Effective Date. Therefore, Administrative Expenses, Priority Claims and Priority Tax Claims are separately classified under the Plan as impaired Classes. Moreover, there is no assurance that holders of Priority Claims and Priority Tax Claims will receive a Distribution under the Plan.

2. Treatment of Classes under the Plan. The proposed treatment under the Plan of each Class is as follows:

a. PNC Secured Claim (Class 1): This Class consists of the Secured Claim of PNC Bank. Under the terms of the Liquidating Plan Term Sheet and prior orders of the Court,

PNC Bank has received distributions on account of its Secured Claim in the aggregate amount of \$3,754,333.78 from the following sources:

1. Escrow #1: \$432,586
2. Escrow #2: \$1,781,391
3. Proceeds from sale of furniture and equipment to IAR: \$585,000
4. One-Half of patient accounts receivables ("A/R"): approximately \$132,000
5. A/R HCAP (to be paid when settlement funds are received from the State of Ohio): \$-0-
6. One-Half of A/R Medicare/Medicaid/Government: \$-0-
7. One-third of net proceeds realized on sale of Hospital Buildings: approximately \$46,000
8. 25% of proceeds of all litigation, including fraudulent conveyance actions (excluding preference recoveries of which 100% of the amount recovered stays in the Estate): approximately \$777,300 (includes \$446,566 January 2007 distribution from D&O Litigation recovery)
9. 25% of net proceeds from any other source
10. All refunds of insurance policy premiums and utility deposits.²

Class 1 is impaired under the Plan.

Upon Confirmation of the Plan, all prior payments and distributions to PNC Bank on account of its PNC Secured Claim, together with any other Distributions to which PNC Bank is entitled under the terms of the Liquidating Plan Term Sheet and the Plan on account thereof, if any, shall be deemed ratified and approved as final and the PNC Secured Claim shall be deemed to be an Allowed Secured Claim.

² PNC Bank agreed that the Estate can use any refund received from OHIC to extend its D&O policy, provided PNC Bank is reimbursed from a D&O Litigation recovery for what appears to be a \$10,268 premium paid.

b. Other Secured Claims (Class 2). Each holder of a possessory, contractual or statutory lien that constitutes an Allowed Other Secured Claim, if any, shall receive on the later of (a) the Effective Date or (b) the date on which such Secured Claim becomes an Allowed Secured Claim, either (i) Cash, in the full amount of such holder's Allowed Secured Claim, unless otherwise ordered by the Court or agreed to by the holder or (ii) the collateral in which such holder is determined to hold a valid, perfected, and enforceable senior lien and security interest, in full and complete satisfaction of such Allowed Secured Claim. Notwithstanding the foregoing, given the Debtor's belief that all such holders of Class 2 Secured Claims have received either (i) or (ii) above, the Debtor is not aware of the existence of any Class 2 Secured Claims that may become Allowed Secured Claims and therefore Class 2 is unimpaired under the Plan.

c. Administrative Expenses (Class 3): Class 3 consists of those expenses incurred by the Debtor in the operation of its business and costs of the administration of the Chapter 11 Case allowable under sections 503(b) and 507(a)(1) of the Bankruptcy Code as Administrative Expenses. Class 3 Administrative Expenses include the fees and expenses of Professionals incurred during the Chapter 11 Case.

Class 3 Administrative Expenses may be impaired under the Plan. Subject to the Plan, including Article V, Section B.1. of the Plan, unless otherwise agreed by the holder of an outstanding Allowed Administrative Expense, each holder of an outstanding Allowed Administrative Expense will receive, in full satisfaction thereof, payment of their Pro Rata share of available Cash, without interest, until Allowed Administrative Expenses have been paid in full, as soon as practicable after the Effective Date or, if the Administrative Expense is not allowed as of the Effective Date, as soon as practicable after the later of 30 days after the date on

which an order allowing such Administrative Expense becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by the applicable Administrative Expense holder and the Liquidation Agent. Furthermore, all payments made on account of Administrative Expenses prior to Confirmation shall, upon Confirmation, be deemed ratified and approved, except to the extent that the Liquidation Agent files an objection to any such prior payment or to such Administration Expense by the later of (A) 120 days after the Effective Date or (B) such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice. Since Class 3 Administrative Expenses may be impaired, the Plan Proponents are soliciting acceptances of the Plan from Class 3.

d. Priority Claims (Class 4): Class 4 consists of non-tax Priority Claims entitled to priority in distribution under sections 507(a)(2) through (a)(6) of the Bankruptcy Code. Class 4 Priority Claims are impaired under the Plan. Subject to the Plan, including Article V, Section G., Class 4 Allowed Priority Claims will receive, in full and complete satisfaction of such Allowed Priority Claims, without interest, their Pro Rata share of available remaining Cash, if any, after payment of Allowed Administrative Expenses. Since Class 4 Priority Claims are impaired, solicitation of acceptances of the Plan from holders of Class 4 Priority Claims is required under the Bankruptcy Code.

e. Priority Tax Claims (Class 5): Class 5 consists of Priority Tax Claims entitled to priority under section 507(a)(8) of the Bankruptcy Code. Class 5 Priority Tax Claims are impaired under the Plan. Subject to the Plan, including Article V, Section G., Class 5 Allowed Priority Tax Claims will receive, in full and complete satisfaction of such Allowed Priority Tax Claims, without interest, their Pro Rata share of available remaining Cash, if any, after payment of Allowed Administrative Expenses and Allowed Priority Claims, in accordance

with section 1129(a)(9)(C) of the Bankruptcy Code, or upon such other terms as may be agreed upon between the Liquidation Agent and the respective holders of such Class 5 Allowed Priority Tax Claims. Since Class 5 Priority Tax Claims are impaired, solicitation of acceptances of the Plan from the holders of Class 5 Priority Tax Claims is required under the Bankruptcy Code.

f. Unsecured Claims (Class 6): Class 6 consists of all Unsecured Claims, including all Claims based on the sale of goods and/or the provision of services to the Debtor prior to the commencement of the Chapter 11 Case, and all non-priority unsecured Claims not otherwise classified. Class 6 Unsecured Claims are impaired under the Plan. Subject to the Plan, including Article V, Section G. and Article VII, in full settlement, release and discharge of the Class 6 Allowed Unsecured Claims, without interest, the Liquidation Agent will:

i. As soon as is practicable after the Effective Date, pursuant to orders of the Court respecting the allowance of Unsecured Claims and at the direction of the Committee, distribute available Cash, Pro Rata, to the holders of Class 6 Allowed Unsecured Claims, solely from the Cash in the General Unsecured Creditor Carveout Account; and

ii. On each Distribution Date, distribute available Cash in the General Unsecured Creditor Carveout Account, Pro Rata, to the holders of Class 6 Allowed Unsecured Claims, provided that the Liquidation Agent shall make such Distributions only if, on each respective Distribution Date, as the case may be, the amount of available Cash is sufficient to make Pro Rata Distributions on account of Class 6 Allowed Unsecured Claims. Class 6 Allowed Unsecured Claims shall receive Pro Rata Distributions under the Plan only from the General Unsecured Creditor Carveout.

Since Class 6 Unsecured Claims are impaired, solicitation of acceptances of the Plan from the holders of the Class 6 Unsecured Claims is required by the Bankruptcy Code.

g. PNC Unsecured Claim (Class 7). Class 7 consists of the Unsecured Claim of PNC Bank estimated by the Debtor to be in the amount of \$2,036,700.66. The Class 7 PNC Unsecured Claim is impaired under the Plan. Upon Confirmation of the Plan, in full settlement, release and discharge of its Class 7 Allowed PNC Unsecured Claim, without interest, PNC Bank has agreed to subordinate its PNC Unsecured Claim to 10% of the amount of the Class 6

Allowed Unsecured Claims. Once Creditors holding Class 6 Allowed Unsecured Claims receive Pro Rata Distributions equal to 10% of their Class 6 Allowed Unsecured Claims, any available Cash remaining in the General Unsecured Creditor Carveout, if any, shall be distributed Pro Rata on account of all Class 6 Allowed Unsecured Claims and the PNC Unsecured Claim.

Since the Class 7 PNC Unsecured Claim is impaired, solicitation of acceptance of the Plan from PNC Bank is required by the Bankruptcy Code.

E. Executory Contracts and Unexpired Leases

All pre-Petition Date executory contracts and unexpired leases to which the Debtor was a party that have not been expressly (i) assumed and assigned or (ii) rejected, pursuant to order of the Bankruptcy Court prior to Confirmation, are deemed rejected upon Confirmation of the Plan.

F. Implementation of the Plan; Settlement of D&O Litigation

1. Source of Funds

The Plan is a liquidation plan under section 1123(b) of the Bankruptcy Code. Except for certain accounts receivable and possible Estate Claims that may be prosecuted by the Liquidation Agent, substantially all of the Debtor's assets have been sold or otherwise collected in accordance with the terms of the Liquidating Plan Term Sheet and orders of the Court. The Distributions provided for in the Plan shall be made from the Debtor's Cash on hand as of the Effective Date and as of each Distribution Date and from (i) the net proceeds of the sales or other disposition of any remaining property of the Estate after the Effective Date, (ii) the net proceeds of any of the Debtor's remaining accounts receivable, including any collected after the Effective Date and (iii) deposits and refunds, if any, collected after the Effective Date

2. Settlement of D&O Litigation

Subsequent to its March 2000 termination of all operations and closure of its Hospital Facility, the Debtor investigated whether there existed legitimate claims and causes of action

against any insiders or third parties, including Debtor's former officers and members of its Board of Trustees, that are cognizable under the Bankruptcy Code and/or applicable Federal or State law. Based on such review, and in consultation with the Creditors' Committee and PNC Bank, the Debtor determined that there existed claims of its Estate against certain of the Debtor's former officers and Trustees. Furthermore, the Debtor determined that there may exist insurance coverage for such claims under the Debtor's Directors, Officers and Trustees Liability Policy (the "Policy") purchased by the Debtor from Ohio Hospital Insurance Corporation ("OHIC"). The Policy is designated as policy number HO-1000-1225-00.

As referenced in Article III, Section C.5 above, on March 8, 2001, the Court authorized the Debtor to retain MUS as its special litigation counsel to represent the Estate in filing and prosecuting the D&O Litigation.

On March 9, 2001, the Debtor initiated an adversary proceeding, designated as Adv. Pro. No. 02-06118 (the "D&O Adversary Proceeding"), by filing a Complaint with the Bankruptcy Court against two former officers of the Debtor (John Weir, former CEO, and Michael Suhadolnik, former CFO), the Debtor's former manager (Richard White) and 19 former and then-current Trustees. In the Complaint, the Debtor asserted claims against such persons for breach of fiduciary duty, negligence, negligent hiring, negligent supervision, negligent retention, fraud, fraudulent transfer, misappropriation, conversion, unjust enrichment, concert of action, conspiracy, misrepresentation and violations of the RICO statute.

On March 18, 2005, and by an amended order on March 21, 2005, the Bankruptcy Court granted the Debtor partial summary judgment against Mr. Suhadolnik in the D&O Litigation, holding that Mr. Suhadolnik was liable to the Debtor for breach of fiduciary duty and negligence. Thereafter, on July 14, 2006, the Debtor filed a Complaint with the Bankruptcy Court

commencing an adversary proceeding against OHIC, seeking, inter alia, judgment that OHIC is liable under the terms of the Policy to satisfy the Debtor's claim against Mr. Suhadolnik and seeking other relief against OHIC pertaining to the D&O Litigation.

By order of the United States District Court for the Northern District of Ohio (the "District Court") dated August 9, 2006, the referral of the D&O Adversary Proceeding to the Bankruptcy Court was withdrawn by the District Court. As a result of such order, the D&O Litigation and Complaint filed against OHIC were before the District Court in Case Nos. 5: 06-nc-00005-PCE and 5: 06-cv-01900-PCE, thereby consolidating the D&O Litigation and the Debtor's Complaint against OHIC.

After extensive arm's-length negotiation, the Debtor, in consultation with the Creditors' Committee and PNC Bank, entered into a settlement agreement in the D&O Litigation and with OHIC (the "Settlement and Release"), settling the D&O Litigation, the Debtor's Complaint against OHIC and all matters related thereto, in exchange for a lump sum payment by OHIC to the Debtor in the amount of \$2,875,000 (the "D&O Recovery"). On December 13, 2006, the Bankruptcy Court entered an order approving the Settlement and Release, the salient provisions of which are that:

- OHIC shall wire the D&O Recovery to the Debtor's counsel no later than eleven (11) days after the latter of December 13, 2006 or execution of the Settlement and Release, assuming no appeal is filed;
- The Debtor is authorized to provide OHIC and all defendants in the D&O Litigation with an executed release;
- The Debtor's counsel shall distribute \$933,814.95 to MUS, in satisfaction of such special litigation counsel's contingent fee arrangement relating to the prosecution of the D&O Litigation;
- The Debtor's counsel shall distribute \$466,566.94 to PNC Bank, as an interim distribution on account of its PNC Secured Claim; and

- The Debtor's counsel shall distribute the net amount of \$1,474,618.11 to the Debtor's debtor in possession bank account (such amount, the "Net Settlement Amount").

In early January 2007, the Debtor consummated the settlement of the D&O Litigation and matters related thereto, and is holding the Net Settlement Amount in its debtor in possession account(s). As of January 31, 2007, the Debtor is holding Cash, inclusive of the Net Settlement Amount and the General Unsecured Creditor Carveout, in the aggregate amount of \$1,987,335.89, available for Distribution under the terms of the Plan and to fund and pay ongoing Administrative Expenses incurred in connection with Confirmation and consummation of the Plan.

3. Breaches

The Liquidating Debtor and Liquidation Agent shall have sixty (60) days from the receipt of written notice from the holder of an Allowed Administrative Expense or Allowed Claim to cure any alleged breach under the Plan.

G. Release of Liens

Except as otherwise provided in the Plan and the Liquidating Plan Term Sheet, all mortgages, deeds of trust, liens or other security interests in the Estate Assets shall be released on the Effective Date. All right, title and interest of any holder of such mortgages, deeds of trust liens or other security interests shall revert to the Debtor and its assigns.

VI. DISCLOSURES REQUIRED BY SECTIONS 1129(A)(4) AND (5) OF THE BANKRUPTCY CODE

Section 1129(a)(4) of the Bankruptcy Code provides that a plan can be confirmed only if any payment made or to be made by a debtor or by a person issuing securities or acquiring property under a plan for services or for costs and expenses in connection with the case or in connection with the plan and incident to the case, has been approved by, or is subject to approval

by the Court as reasonable. Given the disclosures and applications for allowance of fees and expenses filed and required to be filed with the Court by all Professionals prior hereto and under the Plan, the Debtor believes the Plan satisfies the requirements of section 1129(a)(4) of the Bankruptcy Code.

Section 1129(a)(5) of the Bankruptcy Code conditions Confirmation on disclosure of the identity and affiliations of any individual proposed to serve after Confirmation as a director, officer, or voting trustee of the Debtor. Section 1129(a)(5) further requires that (i) appointment to or continuance in such office of such individual be consistent with the interests of Creditors and with public policy and (ii) the Debtor discloses the identity of any insider who will be employed or retained by the reorganized entity and the nature of any compensation for such insider.

Since the Debtor has liquidated substantially all its assets, the requirements of section 1129(a)(5) of the Bankruptcy Code are largely inapplicable. The Liquidation Agent, with the benefit of the advice of legal counsel as the Liquidation Agent may select in consultation with the Creditors' Committee and PNC Bank, shall administer and otherwise consummate Distributions under the Plan. All persons or entities who served as an officer or a Trustee of the Debtor who have not previously been terminated or resigned shall be deemed terminated and shall cease serving in any such capacity as of the Effective Date.

As set forth in Article VII of the Plan, as of the Effective Date the Liquidating Debtor will be managed by a new Board of Trustees which will be composed of one member, who will also be the sole officer of the Liquidating Debtor. Prior to Confirmation of the Plan, the Creditors' Committee, with the consent of PNC Bank, will appoint the individual proposed to serve as the sole Trustee and officer of the Liquidating Debtor, which individual may be the

Liquidation Agent. The Creditors' Committee will provide the name, age and principal occupation of the proposed sole Trustee and officer of the Liquidating Debtor, together with a brief biographical sketch. If the Liquidating Debtor's sole Trustee and officer is an individual other than the Liquidation Agent, such individual will cooperate with and not take any actions inconsistent with those of the Liquidation Agent under the terms of the Plan. Furthermore, the Debtor, as Liquidating Debtor, shall remain in existence until all Distributable Assets have been fully recovered, liquidated and distributed and the Plan is fully administered, after which the Liquidation Agent, with the consent of the Committee and PNC Bank, is authorized to take action to dissolve the Debtor, as Liquidating Debtor, under Ohio law. Therefore, the Debtor believes that the requirements of Section 1129(a)(5) of the Bankruptcy Code are satisfied.

VII. FEASIBILITY

Section 1129(a)(11) of the Bankruptcy Code requires that Confirmation of the Plan not likely be followed by liquidation or the need for further financial reorganization of the Debtor unless such liquidation is proposed by the plan. The Plan is a liquidating plan of reorganization and, therefore, satisfies the requirements under section 1129(a)(11) of the Bankruptcy Code. Furthermore, the Net Settlement Proceeds, together with other Cash currently held by the Debtor, provide the source of funding, and thus feasibility, under the Plan. The Plan Proponents are unaware of any impediment to consummation of the Plan.

VIII. LIQUIDATION ANALYSIS

The Debtor had thoroughly investigated the possibilities of reorganizing to continue its hospital operations and thereby generate superior returns for Creditors. As discussed above, however, a reorganization was not feasible.

Substantially all of the Debtor's assets have been liquidated. The Plan provides for Distributions of the Debtor's remaining Estate Assets in accordance with the priorities

established under the Bankruptcy Code and the agreements among the Debtor, the Committee and PNC Bank, but without the delays and the additional costs and expenses inherent in a conversion of this Chapter 11 Case to a liquidation case under chapter 7 of the Bankruptcy Code. Therefore, this Disclosure Statement does not include a detailed liquidation analysis. In lieu thereof, this Disclosure Statement describes the manner in which substantially all of the Estate Assets have been and will be reduced to Cash, and the net amount of Cash currently being held by the Debtor available for Distributions under the Plan.

The Plan Proponents believe that Confirmation and implementation of the Plan will provide greater Distributions to Creditors than if this Chapter 11 Case were converted to a case under chapter 7 of the Bankruptcy Code. Distributions under chapter 7 would require that the Debtor file a motion to convert the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code. A trustee would then be appointed and charged with administering the Estate Assets and adjudicating claims, and distributing the Estate in conformity with the priority scheme of the Bankruptcy Code.

The priorities of distribution provided in the Plan are the same as the trustee would follow under chapter 7. However, the administration and distribution of the Estate Assets by a chapter 7 trustee would result in administrative costs being incurred in excess of the Administrative Expenses and other costs anticipated under the Plan. Also, a new time period for the filing of Claims would commence under Bankruptcy Rule 1019(2), possibly resulting in the filing of additional Claims against the Estate. Lastly, conversion of the Chapter 11 Case to a case under chapter 7 and appointment of a Chapter 7 trustee to administer the Estate would delay Distributions of the Debtor's net Cash. The Plan Proponents' familiarity with the Estate will allow Distributions to proceed quicker and more efficiently than by a chapter 7 trustee.

IX. REMAINING LITIGATION

The Debtor is aware of no pending litigation, except for its recently filed objections to allowance of certain Administrative Expenses. The Debtor, however, does dispute a number of Claims filed in the case on various grounds, including classification of certain obligations as Priority Claims against the Estate, all tort claims, and all Secured Claims, if any, other than the PNC Secured Claim. Pursuant to the terms of the Plan, the Liquidating Debtor and the Liquidation Agent, when appointed, continue to have the right to object to any and all Administrative Expenses and/or Claims and, if necessary, to litigate with respect to any and all Administrative Expenses and/or Claims until the Chapter 11 Case closes. The Liquidation Agent shall also be entitled to file and prosecute any Estate Claims, including preference actions, at any time prior to the close of the Chapter 11 Case.

On February 26, 2007, the Debtor filed with the Bankruptcy Court its First through Fifth Omnibus Objections to allowance of alleged Administrative Expenses. The Bankruptcy Court conducted a hearing to consider such Omnibus Objections on April 10, 2007. A continued hearing on objections to specific Administrative Expenses is set for May 22, 2007 at 9:30 a.m. (eastern).

In addition to the recently settled D&O Litigation, the Debtor may pursue certain Estate Claims against, among other Persons (i) the Debtor's former senior management, Montrose Management, (ii) Pathways Center for Geriatric Psychiatry, Inc., et al., (iii) REMCO Management, (iv) H&HS and/or the Centers for Medicare and Medicaid Services for refunds allegedly due as a result of over payments made by the Debtor and (v) Persons against which the Debtor holds any manner of judgment in its favor, including any judgment that may be obtained under the confession-of-judgment provisions of any cognovit note included in the Estate Assets.

The Liquidating Debtor and the Liquidation Agent shall be entitled to file, prosecute and collect upon such actions at any time prior to entry of a final decree closing the Chapter 11 Case.

The Debtor also possesses a potential Estate Claim against the Hospital Care Assurance Program ("HCAP") for payment of certain reimbursement amounts. The Liquidating Debtor and Liquidation Agent reserve the right to file, prosecute and collect upon any such action against HCAP, and any actions for recovery of accounts receivable, until entry of a final decree closing the Chapter 11 Case.

X. RELEASES

In consideration of the provisions set forth in the Plan and the Liquidating Plan Term Sheet, and the order approving the Liquidating Plan Term Sheet, each of the Debtor, the Creditors' Committee and, upon Confirmation of the Plan, all holders of Administrative Expenses and all Creditors, for and on behalf of themselves, their representatives, predecessors, successors, assigns, subsidiaries, and affiliates, shall be deemed to fully and forever release, acquit and forever discharge PNC Bank, its predecessors, successors and assigns, subsidiaries and affiliates, and each of their respective agents, servants, employees, officers, directors, insurers, attorneys, shareholders, successors and assigns (hereinafter "PNC Bank Released Parties"), from any and all actions, causes of action, claims and demands of whatsoever kind or nature arising from the beginning of the world to the date of the Confirmation of the Plan, including but not limited to any claim which the Debtor, the Creditors' Committee or the Estate has or may have against any of the PNC Bank Released Parties because of or resulting from or out of or relating to any agreement, transaction, relationship, or otherwise, between the Debtor, the Creditors' Committee and the Estate and the PNC Bank Released Parties, other than any claims arising from a breach of the Plan.

In consideration of the provisions of the Plan and in exchange for the treatment of all Classes under the Plan, all holders of Administrative Expenses and Claims shall have no further rights against the Debtor, the Committee, the Liquidating Debtor, the Liquidation Agent, any of their respective Professionals or the Estate Assets.

XI. CONFIRMATION

The purpose of this Disclosure Statement is to provide holders of Administrative Expenses and Creditors with adequate information to enable them to make an informed decision regarding the merits of the Plan. The Bankruptcy Court, after notice and a hearing conducted on _____, 2007, approved this Disclosure Statement as containing adequate information respecting the Plan as required by section 1125 of the Bankruptcy Code.

Section 1128 of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation. The Bankruptcy Code contemplates creditor voting with regard to a chapter 11 plan of reorganization. The following paragraphs summarize the voting and the confirmation requirements in chapter 11 proceedings. This summary constitutes neither a complete recital of Bankruptcy Code requirements regarding voting and confirmation nor a conclusive statement of Creditor rights. Any Creditor with questions concerning voting, confirmation or other matters should seek the advice of counsel.

Pursuant to section 1129 of the Bankruptcy Code, in order to confirm the Plan the Bankruptcy Court must find, among other things that (i) the Plan complies with the applicable provisions of the Bankruptcy Code, (ii) the Debtor has complied with the applicable provisions of the Bankruptcy Code, (iii) the Plan Proponents proposed the Plan in good faith and not by any means forbidden by law, (iv) the Debtor has made the disclosures required by section 1125 of the Bankruptcy Code, (v) the Plan has been accepted by the requisite vote of each Class, (vi) the Plan is feasible and Confirmation is not likely to be followed by liquidation unless such

liquidation is provided for in the Plan, (vii) the Plan is in the best interest of Creditors by providing to Creditors on account of their Allowed Claims property of a value, as of the Effective Date, that is not less than the amount that such Creditor would receive or retain in a Chapter 7 liquidation, (viii) all fees and expenses required under 28 U.S.C. § 1930 as determined by the Bankruptcy Court have been paid or the Plan provides for payment of such fees on the Effective Date and (ix) the Plan addresses priority Claims.

As indicated above, the Plan must be accepted by the requisite vote in the voting Classes in order to be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code requires that each Class accept the Plan by the requisite majority, or that the Class be unimpaired under the Plan and deemed to have accepted the Plan without solicitation. Only holders of Administrative Expenses or Creditors holding classified Claims that are impaired under the Plan, therefore, are entitled to vote to accept or reject the Plan. Generally a class is "impaired" unless the legal, equitable or contractual rights attaching to the Administrative Expenses or Claims of that Class are unaltered by the Plan or the Plan proposes to cure pre-Petition Date defaults and reinstate maturities and compensate the holder of such Claim for any damages or proposes payment in full in cash. Classes 1, 3, 4, 5, 6 and 7 are impaired, and holders of Allowed Administrative Expenses (as to Class 3) and Allowed Claims in those Classes are entitled to vote to accept or reject the Plan.

The majorities required for acceptance by an impaired Class relate to both the amount of Allowed Claims in the Class and the number of members in the Class that actually vote for acceptance or rejection of the Plan. An impaired Class is deemed to have accepted the Plan if the holders of at least two-thirds in dollar amount and a majority in number of the Allowed Administrative Expenses (as to Class 3) or Allowed Claims of the Class vote to accept the Plan.

Only holders of Allowed Administrative Expenses (as to Class 3) or Allowed Claims entitled to vote, who actually do vote to accept or reject the Plan are counted in this tabulation. A vote may be disregarded to the extent the Bankruptcy Court determines that the Debtor did not solicit or procure the acceptance or rejection in good faith.

If the Plan is accepted by all Classes impaired under the Plan, the Plan may be confirmed provided that the Bankruptcy Court finds that the Plan satisfies the other conditions set forth in section 1129(a) of the Bankruptcy Code. If, however, the voting members of an impaired Class do not unanimously vote for the Plan, but nevertheless accept the Plan by at least the requisite two-thirds of the amount and a majority in number of Administrative Expenses (as to Class 3) or Claims that are actually voted, then, to be confirmed over the objection of a member of such impaired Class, the Plan must provide that each member of the Class receive property of the value, as of the Effective Date, not less than the amount such holder would receive under Chapter 7 of the Bankruptcy Code. The Plan may be confirmed even though it is not accepted by all impaired Classes to the extent (i) at least one impaired Class accepts the Plan; (ii) the Plan is "fair and equitable" as to those impaired Classes not accepting the Plan; (iii) the Plan does not "discriminate unfairly" against any impaired Class electing not to accept the Plan; and (iv) the Plan meets the conditions set forth in section 1129(b) of the Bankruptcy Code regarding cram down. The "fair and equitable" standard requires, among other things, that (i) no holder of a Claim or interest in any Class junior to any dissenting Class of Unsecured Claims receive any value or retain any value on account of such Claims unless the dissenting Class of Unsecured Claims receives full compensation for its Allowed Claims and (ii) the members of any dissenting Class of secured claims either retain their lien and receive deferred cash payments with a value as of the Effective Date of the Plan equal to the value of their interest in the Debtor's property or

otherwise receive the “indubitable equivalent” of the value of their Secured Claims. Courts have interpreted the “fair and equitable” standard to prohibit any Class of Claims senior to a dissenting Class from receiving greater than 100% of the value of the allowed Claims in the Class. The requirement that the Plan not “discriminate unfairly” simply means that the dissenting Class must be treated substantially the same as other Classes of equal rank. The Debtor intends to rely upon the cram down provisions of the Bankruptcy Code to the extent necessary.

A. Effects of Confirmation

1. **Vesting of Property.** Except as otherwise provided for in the Plan or Confirmation Order, on the Effective Date all Estate Assets shall vest, free and clear of all Claims, interests, and encumbrances, in the Liquidating Debtor, subject only to the provisions of the Plan.
2. **Injunction.** Except as otherwise provided for in the Confirmation Order, confirmation of the Plan and entry of the Confirmation Order shall constitute and provide for an injunction against all Persons or entities from taking any actions (other than actions brought to enforce any right or obligation under the Plan) to commence or continue any action or proceeding that arose before the Confirmation Date against or affecting the Debtor, any property of the Estate, PNC Bank, the Creditors’ Committee, the Professionals, the Liquidating Debtor or the Liquidation Agent, or any direct or indirect transferee of any property of the Estate.
3. **Retention and Enforcement of Claims.** Except as provided for in the Plan or any agreement or release entered into in connection with the Plan, the Liquidation Agent shall retain and may enforce any Estate Claims, including, but not limited to, rights and causes of action that the Estate may hold against any entity, whether under the Bankruptcy Code, federal or state statute, or common law. The Liquidation Agent shall have the right under the Plan to pursue such retained Estate Claims for the benefit of the Estate.
4. **Exemption from Certain Transfer Taxes.** Pursuant to section 1146(c) of the Bankruptcy Code, the creation of any mortgage, deed of trust, or other security interest; the making or assignment of any lease or sublease; or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan will not be subject to any stamp tax, real estate transfer tax, or other similar tax.

5. Retention of Jurisdiction. Pursuant to Bankruptcy Rule 3020 and the terms of the Plan, the Bankruptcy Court will retain jurisdiction to resolve matters arising under or concerning the interpretation, enforcement and consummation of the Plan, including, but not limited to, the following:
- a. hear and determine any motion, application, adversary proceeding, contested matter or other litigated matter pending or as may be filed, including with respect to Estate Claims, on or after the Confirmation Date;
 - b. permit amendments to the Schedules;
 - c. hear and determine any objection to any Administrative Expense or Claim;
 - d. ensure that the Distributions to holders of Allowed Administrative Expenses and Allowed Claims are accomplished as provided in the Plan;
 - e. enter, implement or enforce such orders as may be appropriate in the event Confirmation is for any reason stayed, reversed, revoked, modified or vacated;
 - f. hear and determine all motions, requests or applications for allowance of Administrative Expenses and applications for compensation of Professionals and reimbursement of expenses under sections 330, 331 or 503 of the Bankruptcy Code;
 - g. hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, and to remedy any defect or omission, or reconcile any inconsistency, in the Disclosure Statement, the Plan, the Confirmation Order or any reorganization document, in such manner as may be necessary to carry out the purposes, intents, and effects of the Plan;
 - h. construe, take any action and issue such orders as may be necessary for the implementation, pursuant to section 1142 of the Bankruptcy Code, or the execution, consummation and enforcement of the Plan or of the Confirmation Order;
 - i. enter a final decree closing the Chapter 11 Case; and
 - j. hear and determine any other matter or dispute related to, or arising under or in connection with, the Plan or the Confirmation Order; provided, however, that the Bankruptcy Court shall not have the power to issue any order without the consent of the affected persons that modifies or impairs any right, title, interest, privilege or remedy provided in or under any reorganization document nor have jurisdiction or authority specifically excepted from that of the Bankruptcy Court in accordance with section 1141(d) of the Bankruptcy Code.

B. Injunction

On and after the Effective Date, all Persons who have held, hold or may hold Administrative Expenses or Claims shall be enjoined from taking any of the following actions against or affecting the Debtor, the Creditors' Committee, PNC Bank, the Professionals, the Liquidating Debtor or the Liquidation Agent or their respective assets (other than actions brought to enforce any rights or obligations under the Plan or appeals, if any, from the Confirmation Order):

- (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtor, its assets, any direct or indirect successor in interest to the Debtor, or any assets of any such transferee or successor, on account of any Administrative Expense or Claim;
- (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtor, its assets, any direct or indirect successor in interest to the Debtor, or any assets of any such transferee or successor, on account of any Administrative Expense or Claim;
- (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien of any kind against the Debtor, its assets, any direct or indirect successor in interest to the Debtor, or any assets of any such transferee or successor, on account of any Administrative Expense or Claim, other than as contemplated under the Plan;
- (iv) asserting any set-off, right of contribution, subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtor, its assets, any direct or indirect successor in interest to the Debtor, or any assets of any such transferee or successor, on account of any Administrative Expense or Claim; and
- (v) proceeding on account of any Administrative Expenses or Claim in any manner in any place whatsoever with any action that does not conform to or comply with the provisions of the Plan.

C. De Minimis Distributions

If the Distribution to any Creditor is less than \$10, then such Creditor shall not receive such Distribution and shall be forever barred from asserting any claim for same against the Debtor or the Liquidation Agent and the Estate Assets.

D. Conditions to Effectiveness of the Plan

Effectiveness of the Plan is conditioned upon the Confirmation Order becoming a Final Order.

E. Best Interests of Creditors

Notwithstanding acceptance of the Plan by holders of Claims, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of holders of all Classes of Claims. The “best interests” test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired Class a recovery which has a present value at least equal to the present value of the distribution which each member would receive from the Debtor if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate what holders of Allowed Administrative Expenses and Allowed Claims would receive if the Debtor’s Chapter 11 Case was converted to a chapter 7 liquidation case, the Bankruptcy Court must first determine the net dollar amount that would be generated or available from conclusion of the liquidation of the Debtor under chapter 7 and available to Creditors (the “Liquidation Fund”). The Liquidation Fund would consist of the proceeds from the disposition of the Debtor’s assets, augmented by the Cash held by the Debtor. The Liquidation Fund would then be reduced by the costs of the liquidation or conversion of this Chapter 11 Case to a chapter 7 case. Costs under chapter 7 would include the fees of a trustee, as well as those of counsel and other professionals that might be retained by the trustee, selling expenses, any unpaid expenses incurred by the Debtor during the Chapter 11 Case (such as fees

for attorneys, financial advisors and accountants) which are allowed in the chapter 7 proceedings, and Administrative Expenses and Claims arising from the operation of the Debtor's business during the pendency of the Chapter 11 Case. Those Claims, in addition to validly perfected security interests and such other claims as might arise in the liquidation or result from the Chapter 11 Case, would be paid in full out of the Liquidation Fund before the balance of the Liquidation Fund would be made available to any unsecured Claims. The value of the distributions out of the Liquidation Fund (after subtracting the amounts described above) are then compared with the value of the property offered to each of the Classes of Unsecured Claims under the Plan to determine if the Plan is in the best interests of each holder of an Allowed Administrative Expense and Allowed Claim.

If this Chapter 11 Case is converted to one under chapter 7 of the Bankruptcy Code, PNC Bank, instead of sharing its rights in the Collateral, would likely file a motion for relief from the automatic stay and foreclose upon the bulk of the assets in the Liquidation Fund. As a result, the only amounts available for distribution to members of impaired Classes would be (i) proceeds generated from prosecution of Estate Claims, (ii) the \$250,000 General Unsecured Creditor Carveout and (iii) an undetermined portion of the Net Settlement Amount derived from the D&O Litigation.

The Plan Proponents believe that the value of Distributions under a Chapter 7 Case would be less than the value of Distributions under the Plan. The Plan Proponents believe that such would not be in the best interests of the Debtor and would provide holders of unsecured Claims smaller returns than those they may realize under the Plan.

F. Acceptance

Each of the voting Classes will be deemed to have accepted the Plan if the Plan is affirmatively voted upon by at least two-thirds in dollar amount and more than one-half in

number of the Administrative Expenses (as to Class 3) or Claims of such Impaired Class (excluding certain Claims designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan. Holders of Allowed Administrative Expenses and Allowed Claims who do not vote shall be counted as having voted to neither accept nor reject the Plan.

Notwithstanding the above, section 1126 of the Bankruptcy Code provides that Impaired Classes not receiving any Distribution under a plan are deemed to have rejected the Plan and, therefore, holders of Claims within such Classes are not entitled to vote on the Plan. If the Plan is accepted by all Impaired Classes, it will be confirmed, assuming that the Bankruptcy Court finds that the other requirements set forth in section 1129(a) of the Bankruptcy Code are satisfied.

If the voting members of an Impaired Class accept the Plan by the requisite number of votes and amounts of Allowed Administrative Expenses (as to Class 3) and Allowed Claims, but do not vote unanimously to accept the Plan, the Bankruptcy Court must find that the Plan, at a minimum, provides for each member of that Class property of a value, as of the Effective Date, that is not less than the amount such Class members would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

G. Non-Acceptance and Cram Down

If the Plan is not accepted by the requisite majority of any Impaired Class, the Plan Proponents intend to seek Confirmation pursuant to the “cram down” provisions of section 1129(b) of the Bankruptcy Code. Under the “cram down” provisions, the Bankruptcy Court may confirm the Plan despite the lack of acceptance by an impaired Class if the Bankruptcy Court finds that (a) the Plan does not discriminate unfairly with respect to any impaired Class, (b) the Plan is “fair and equitable” with respect to each non-accepting impaired Class, and (c) at least one impaired Class has accepted the Plan. The Plan does not discriminate unfairly if no Class

receives more than that to which it is entitled for its Claims. The Plan must also satisfy the other requirements set forth in section 1129(a) of the Bankruptcy Code.

The Bankruptcy Code establishes different “fair and equitable” tests for holders of secured and unsecured Claims. In general, section 1129(b) of the Bankruptcy Code permits Confirmation notwithstanding non-acceptance by an impaired Class if that Class and all junior Classes are treated in accordance with the “absolute priority” rule, which requires that the dissenting Class be paid in full before a junior Class may receive anything under the Plan. Notwithstanding the foregoing, pursuant to the terms of the Liquidating Plan Term Sheet and the Plan, (i) holders of Allowed Unsecured Claims and Class 6 under the Plan shall receive Pro Rata Distributions from the General Unsecured Creditor Carveout Account in accordance with the Plan and (ii) PNC Bank shall be entitled to receive a Distribution on account of its Class 7 Allowed PNC Unsecured Claim in accordance with the provisions of the Plan.

With respect to any holder of a Secured Claim that does not accept the Plan, the Plan Proponents must demonstrate to the Bankruptcy Court that the holder will (a) retain the lien securing its Claim to the extent of the amount of its Allowed Secured Claim and (b) receive on account of the Claim deferred cash payments totaling at least the amount of the Allowed Secured Claim, of a value, as of the Effective Date, at least equal to the value of the holder’s interest in the estate’s interest in the property subject to the lien.

With respect to a Class of holders of Unsecured Claims that does not accept the Plan, the Plan Proponents must demonstrate to the Bankruptcy Court that either (a) each holder of an Allowed Unsecured Claim of the dissenting Class will receive or retain under the Plan property of a value equal to the amount of its Allowed Unsecured Claim or (b) the holders of Allowed Unsecured Claims that are junior to the Claims of the holders of the Unsecured Claims will not

receive or retain any property under the Plan, except that holders of Allowed Unsecured Claims shall be entitled to receive Pro Rata Distributions from the General Unsecured Creditor Carveout Account and PNC Bank shall be entitled to receive Distributions as provided in the Plan.

If the Plan is not accepted by each Impaired Class, the Plan Proponents intend to seek Confirmation pursuant to section 1129(b) of the Bankruptcy Code.

XII. ALTERNATIVES TO THE PLAN

A. General

After carefully analyzing alternatives to the Plan, the Plan Proponents believe that the Plan offers the best opportunity for a maximum recovery to holders of Allowed Administrative Expenses and Allowed Unsecured Claims. As more specifically described below, a chapter 7 case for the Debtor would result in smaller Distributions than that which holders of Administrative Expenses and Creditors can expect to receive under the confirmed Plan. Consequently, the Plan Proponents believe that Confirmation of the Plan is in the best interests of the Estate.

B. Liquidation Analysis

In order to confirm its Plan, the Plan Proponents must show that the holders of impaired Claims will receive no less under the Plan than they would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code, or this Chapter 11 Case was converted to a case under chapter 7 of the Bankruptcy Code (the "Best Interests Test"). In this case, all of the Debtor's assets have been liquidated. Distribution of the Estate Assets by a chapter 7 trustee would likely incur further Administrative Expenses. Any distribution would be reduced by the costs and expenses of the chapter 7 case and by such additional administrative and priority Claims that may result from the conversion of this Chapter 11 Case to chapter 7. Costs of liquidation would include the fees payable to a chapter 7 trustee as well as those which might be payable to

additional attorneys or professionals that such a trustee might engage. All costs of a chapter 7 case would be paid before any distribution of proceeds to pre-Chapter 11 Case unsecured Creditors.

To determine whether the Plan meets the Best Interests Test, the Bankruptcy Court may compare the present value of the net proceeds resulting from the liquidation of the Estate Assets (after subtracting the costs of liquidation) with the present value of the Distributions offered to impaired Classes under the Plan. If the amount offered to impaired Classes under the Plan equals or exceeds the amount such Classes would receive in a chapter 7 liquidation, the Plan meets the Best Interests Test. As described previously, the Debtor believes that holders of Allowed Administrative Expenses and Creditors would recover more under the Plan than they would in a distribution under chapter 7 of the Bankruptcy Code.

C. Conversion to Chapter 7

If no Plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, in which one or more trustees would be elected or appointed to distribute the Debtor's assets in accordance with the priorities established by the Bankruptcy Code. For the reasons described herein, the Plan Proponents believe that the Distributions to each impaired Class under the Plan will be greater and earlier than any Distributions that might be received in a chapter 7 case for the Debtor. The Plan Proponents believe that Confirmation of the Plan is preferable to a chapter 7 case because the Plan maximizes the Distributions to all Classes, and any alternative to Confirmation would result in substantial delays and lesser (and possibly in some cases, no) recoveries.

XIII. TAX CONSEQUENCES

There may exist certain U.S. Federal, State and/or local income tax and other tax consequences of the transactions proposed by the Plan to the Debtor and to holders of

Administrative Expenses and Claims that are entitled to vote to accept or reject the Plan and/or that receive Distributions under the Plan. Parties should note that the Debtor is an Ohio not-for-profit corporation.

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO PROVIDE ANY DISCUSSION AND/OR ADVICE RESPECTING POSSIBLE TAX CONSEQUENCES OF THE PLAN. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A PERSON'S OR CREDITOR'S INDIVIDUAL CIRCUMSTANCE. THEREFORE, ALL HOLDES OF ADMINISTRATIVE EXPENSES, SECURED CLAIMS, PRIORITY CLAIMS, PRIORITY TAX CLAIMS AND UNSECURED CLAIMS SHOULD CONSULT THEIR RESPECTIVE TAX ADVISORS ABOUT ALL FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN. PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN TAX ADVISORS RESPECTING TAX CONSEQUENCES OF THE PLAN.

XIV. RECOMMENDATION

The Plan Proponents believe that acceptance of the Plan is in the best interest of all parties and that Confirmation will provide the best and most prompt recovery for Creditors. Accordingly, the Plan Proponents strongly recommend that holders of Administrative Expenses and Claims vote to accept the Plan.

Dated: Youngstown, Ohio
April 30, 2007

YOUNGSTOWN OSTEOPATHIC
HOSPITAL ASSOCIATION,

Debtor and Debtor-in-Possession

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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

----- x CHAPTER 11
In re :
 : JUDGE KAY WOODS
 :
YOUNGSTOWN OSTEOPATHIC :
HOSPITAL ASSOCIATION, : CASE NO. 99-40663
 :
 :
Debtor. :
----- x

**JOINT PLAN OF LIQUIDATION OF
YOUNGSTOWN OSTEOPATHIC HOSPITAL ASSOCIATION
PROPOSED BY THE DEBTOR IN POSSESSION, PNC BANK, NATIONAL
ASSOCIATION AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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EXHIBIT A

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INTRODUCTION

Youngstown Osteopathic Hospital Association (the "Debtor"), PNC Bank, National Association ("PNC Bank") and the Official Committee of Unsecured Creditors (the "Committee") propose the following liquidating plan (the "Plan") for the resolution of the outstanding claims against the Debtor. The Debtor, PNC Bank and the Committee are co-proponents (hereinafter collectively the "Plan Proponents") of the Plan within the meaning of section 1129 of Title 11 (the "Bankruptcy Code") of the United States Code. Reference is made to the disclosure statement with respect to the Plan (the "Disclosure Statement") for a discussion of the Debtor's history, business and property, and for a summary of the Plan.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION, AND COMPUTATION OF TIME

A. **Defined Terms.** As used in the Plan, capitalized terms have the meanings set forth below. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), will have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

1. **"Administrative Expense"** means a claim for costs and expenses of administration allowed under sections 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of the Debtor; (b) compensation for legal, financial advisory, accounting, and other services and reimbursement of expenses awarded or allowed under sections 330(a) or 331 of the Bankruptcy Code; and (c) all fees and charges assessed against the Estate under chapter 123 of Title 28 of the United States Code, 28 U.S.C. §§ 1911-1930.

2. **"Administrative Expense Bar Date Order"** means the Order Establishing Bar Date and Approving Notice of Bar Date for Filing Proofs of Administrative Expenses entered by the Court on May 14, 2002, as the same may have been or may be amended, modified, or supplemented.

3. **"Allowed Administrative Expense"** means an Administrative Expense with respect to which an objection has not been Filed and is therefore deemed allowed pursuant to Section 503(b) of the Bankruptcy Code and/or an Administrative Expense deemed allowed pursuant to final non-appealable order entered by the Bankruptcy Court.

4. **"Allowed Claim"** means:

a. a Claim that has been listed by the Debtor on its Schedules as other than disputed, contingent, or unliquidated, to the extent that it is not otherwise a Disputed Claim;

b. a Claim for which a proof of Claim has been Filed by the applicable Bar Date or has otherwise been deemed timely Filed under applicable law, to the extent that it is not otherwise a Disputed Claim; or

c. a Claim that is allowed: (i) in any Stipulation of Amount and Nature of Claim executed by the Debtor, the Liquidating Debtor or the Liquidation Agent and the Claim holder; (ii) in any contract, instrument, or other agreement entered into in connection with the Plan; (iii) in a Final Order; or (iv) pursuant to the terms of the Plan.

5. **“Allowed . . . Claim”** means a Claim deemed an Allowed Claim pursuant to final non-appealable order in the particular Class or category specified. Any reference herein to a particular Allowed Claim includes both the secured and unsecured portions of such Claim.

6. **“Ballot Date”** means _____, 2007.

7. **“Bankruptcy Code”** means Title 11 of the United States Code, 11 U.S.C. §§ 101-1330.

8. **“Bankruptcy Court”** means the United States District Court having jurisdiction over the Chapter 11 Case and, to the extent of any reference made pursuant to 28 U.S.C. § 157, the bankruptcy unit of such District Court.

9. **“Bankruptcy Rules”** means, collectively, the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as now in effect or hereafter amended.

10. **“Bar Date”** means the applicable bar date by which: (a) a request for payment of an Administrative Expense or (b) a proof of an Administrative Expense or of a Claim must be or must have been Filed, as established by an order of the Bankruptcy Court, including pursuant to the Bar Date Order, Administrative Expense Bar Date Order and the Confirmation Order.

11. **“Bar Date Order”** means the Order Establishing Bar Date and Procedures for Filing Proofs of Claims and Approving Notice Thereof entered by the Bankruptcy Court on November 18, 1999, as the same may have been or may be amended, modified, or supplemented.

12. **“Business Day”** means any day, other than a Saturday, Sunday, or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

13. **“Cash”** means cash and cash equivalents, including bank deposits, checks, and other similar items.

14. **“Cash Investment Yield”** means the net yield earned from the investment of Cash held pending distribution pursuant to the Plan, which investment will be in a manner consistent with the Bankruptcy Code.

15. **“Chapter 11 Case”** means the chapter 11 case pending for the Debtor in the Bankruptcy Code.

16. **“Claim”** means a “claim” as defined in section 101(5) of the Bankruptcy Code, and includes Priority Claims and Priority Tax Claims.

17. **“Class”** means a class as described in Article IV of the Plan.

18. **“Collateral”** means any property of the Debtor that is subject to a valid and enforceable lien to secure a Claim.

19. **“Committee”** means the Official Committee of Unsecured Creditors appointed by the United States Trustee in the Chapter 11 Case pursuant to section 1102 of the Bankruptcy Code, as presently constituted or as hereinafter reconstituted.

20. **“Confirmation”** means the entry of the Confirmation Order on the docket of the Bankruptcy Court.

21. **“Confirmation Date”** means the date on which the Bankruptcy Court enters the Confirmation Order on its docket, within the meaning of Bankruptcy Rules 5003 and 9021.

22. **“Confirmation Hearing”** means the hearing held by the Bankruptcy Court on Confirmation of the Plan, as such hearing may be continued from time to time.

23. **“Confirmation Order”** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

24. **“Creditor”** means any person described in section 101(10) of the Bankruptcy Code.

25. **“Debtor”** means Youngstown Osteopathic Hospital Association, an Ohio not-for-profit corporation.

26. **“Disbursing Agent”** means the Liquidating Debtor or Liquidation Agent in their capacity as disbursing agent pursuant to Article VII, or any Third Party Disbursing Agent.

27. **“Disclosure Statement”** means the disclosure statement (including all exhibits and schedules thereto or referenced therein) that relates to the Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as the same may be amended, modified, or supplemented.

28. **“Disputed Claim” or “Disputed Administrative Expense”** means a Claim or Administrative Expense that is not an Allowed Claim or an Allowed Administrative Expense and either (a) an objection thereto has been filed by a party in interest, (b) the Claim appears on a Schedule of disputed claims filed by the Debtor with the Court on or before the Effective Date or (c) a Claim that is listed on the Debtor’s Schedules as a disputed, contingent or unliquidated. All tort Claims and Secured Claims are Disputed Claims, except for the PNC Secured Claim.

29. **“Disputed Claims Reserves”** means collectively, and “Disputed Claims Reserve” means individually, the reserves of Cash established pursuant to Article IX for Disputed Claims.

30. **“Distributable Assets”** means all of the property of the Estate, as defined in section 541 of the Bankruptcy Code, including, without limitation, all Estate Assets, any Estate Claims and any claims and causes of action retained pursuant to Article VII, and the respective products, profits or proceeds therefrom.

31. **“Distribution”** means a distribution of the Cash that is to be distributed to the holders of Administrative Expenses and Allowed Claims in accordance with the Plan.

32. **“Distribution Date”** means a Business Day as soon as practicable after the Effective Date and certain dates after such date in the discretion of the Disbursing Agent, as more fully described in Article VIII.

33. **“Distribution Record Date”** means the Confirmation Date or any later date established by the Bankruptcy Court.

34. **“Effective Date”** means a Business Day, as determined by the Debtor, the Committee and PNC Bank, that: (a) is as soon as reasonably practicable after the Confirmation Date and (b) is the day on which (i) all conditions to the Effective Date in Article XI have been met or waived pursuant to Article XI and (ii) no stay of the Confirmation Order is in effect.

35. **“Estate”** means the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

36. **“Estate Assets”** means all of the Estate assets and any Cash and non-Cash proceeds thereof, and any and all claims or causes of action belonging to the Debtor, the Liquidating Debtor or Liquidation Agent on the Confirmation Date, including, without limitation, except for those limitations that are set forth in the Liquidating Plan Term Sheet (i) all Estate Claims; (ii) any and all property and proceeds acquired by the Debtor, as liquidated; and (iii) all Distributable Assets.

37. **“Estate Claims”** means, collectively, all claims, rights or causes of action held by the Debtor arising under the Bankruptcy Code or any other statutory or common law, and belonging to the Debtor or the Liquidating Debtor on the Confirmation Date, including, without limitation, except for those limitations that are set forth in the Liquidating Plan Term Sheet (i) all avoidable transfer claims; (ii) claims of the Debtor against any Person and/or powers relating to any act, conduct, or relationship of any Person with respect to and/or against the Debtor, its Estate and/or its assets or property, including any claim against any Creditor of the Debtor which could result in subordination of such Creditor’s Claim under the Bankruptcy Code or applicable state or federal law or otherwise could constitute a violation of any common law or fiduciary duty; (iii) claims of the Debtor and/or the Estate relating to any act or conduct which could constitute a violation of any principle of law or equity; and (iv) claims of the Debtor and/or the Estate respecting any and all property of or acquired by the Debtor.

38. **“Executory Contract”** and **“Unexpired Lease”** means a contract or lease to which the Debtor is a party that was or is subject to assumption or rejection under section 365 of the Bankruptcy Code.

39. **“Face Amount”** means the full stated amount claimed by the holder of such Claim in any proof of Claim Filed by the Bar Date, or otherwise deemed timely Filed under applicable law.

40. **“Fee Claim”** means a Claim under sections 330(a), 331, 503, or 1103 of the Bankruptcy Code for compensation of a Professional or other entity for services rendered or expenses incurred in the Chapter 11 Case.

41. **“File,” “Filed”** or **“Filing”** means file, filed or filing with the Bankruptcy Court in the Chapter 11 Case.

42. **“Final Order”** means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in the Chapter 11 Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired, and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

43. **“General Distribution Account”** means a segregated, interest-bearing account into which shall be deposited all Cash available (after payment of Allowed Secured Claims, Allowed Administrative Expenses, Allowed Priority Claims, and Allowed Priority Tax Claims), other than the Cash deposited into the General Unsecured Creditor Carveout Account for distribution to Creditors pursuant to Articles V and VII.

44. **“General Unsecured Creditor Carveout”** means that \$250,000 unconditionally earmarked for distribution to holders of allowed non-priority general unsecured claims pursuant to the Liquidating Plan Term Sheet, together with any interest earned thereon.

45. **“General Unsecured Creditor Carveout Account”** means that account into which the General Unsecured Creditor Carveout was deposited pursuant to the Liquidating Plan Term Sheet.

46. **“Impaired Class”** means a Class wherein (i) the legal, equitable or contractual rights of Creditors holding Administrative Expenses or Claims in the Class are altered, (ii) Claims are not reinstated and (iii) an Allowed Administrative Expense or Allowed Claim is not paid in Cash in full.

47. **“Insured Claim”** means any Claim arising from an incident or occurrence that is covered under the Debtor’s insurance policy, other than a workers’ compensation insurance policy.

48. **“Liquidating Debtor”** means the Debtor on and after the Effective Date.

49. **“Liquidating Plan Term Sheet”** means that agreement between the Plan Proponents approved by the Bankruptcy Court’s order entered March 8, 2001, providing for (i) the interim distributions of certain identified Cash of the Estate, (ii) the terms for the Plan and (iii) the settlement of various issues between the Plan Proponents.

50. **“Liquidation Agent”** means that person selected by the Committee with the consent of PNC Bank, which consent shall not be unreasonably withheld, and approved by the Bankruptcy Court to serve as the Liquidation Agent under the provisions of the Plan.

51. **“Other Secured Claims”** means the Secured Claims classified in Class 2 of the Plan.

52. **“PNC Bank”** means PNC Bank, National Association.

53. **“PNC Secured Claim”** means the Allowed Secured Claim held by PNC Bank as classified in Class 1 of the Plan.

54. **“PNC Unsecured Claim”** means the Allowed Unsecured Claim held by PNC Bank as classified in Class 7 of the Plan.

55. **“Person”** means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, an estate, a trust, any unincorporated organization, a government or any political subdivision thereof, or any other entity.

56. **“Petition Date”** means March 11, 1999.

57. **“Plan”** means this liquidating plan for the Debtor and all Exhibits attached hereto or referenced herein, as the same may be amended, modified, or supplemented.

58. **“Priority Claim”** means a Claim that is entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code that is not an Administrative Expense or a Priority Tax Claim.

59. **“Priority Tax Claim”** means a Claim that is entitled to priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code.

60. **“Pro Rata”** means:

a. when used with reference to a distribution of Cash, proportionately so that with respect to a particular Allowed Claim or Allowed Administrative Expense, the ratio of: (i)(A) the amount of property distributed on account of such Allowed Claim or Allowed Administrative Expense to (B) the amount of such Claim or Administrative Expense, is the same as the ratio of: (ii)(A) the amount of property distributed on account of all Allowed Claims or Allowed Administrative Expenses of the Class in which such Allowed Claim or Allowed Administrative Expense is included to (B) the amount of all Allowed Claims or Allowed Administrative Expenses in that Class; or

b. when used with reference to distributions of the Cash Investment Yield, the portion of the Cash Investment Yield allocable to a particular Allowed Claim or Allowed Administrative Expense on the basis of the amount of Cash then being distributed on account thereof. Calculations of the Pro Rata shares of the Cash Investment Yield to be distributed at any particular time will be based on the Cash Investment Yield generated as of the last day of the month prior to the month in which such distributions are to be made.

61. **“Professional”** means any professional employed in the Chapter 11 Case pursuant to sections 327 or 1103 of the Bankruptcy Code or any professional or other entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Case pursuant to section 503(b)(4) of the Bankruptcy Code.

62. **“Schedules”** means the schedules of assets and liabilities and the statement of financial affairs Filed by the Debtor, as required by section 521 of the Bankruptcy Code and the Official Bankruptcy Forms, as the same may have been or may be amended, modified or supplemented.

63. **“Secured Claim”** means a Claim that is secured by a lien on property in which the Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder’s interest in the applicable Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to sections 506(a) and, if applicable, 1129(b) of the Bankruptcy Code.

64. **“Stipulation of Amount and Nature of Claim”** means a stipulation or other agreement between the Debtor, Liquidating Debtor or Liquidation Agent and a holder of an Administrative Expense and/or a Claim, or an agreed order of the Bankruptcy Court, establishing the amount and nature of an Allowed Claim or Allowed Administrative Expense.

65. **“Third Party Disbursing Agent”** means an entity designated by the Liquidating Debtor or the Liquidation Agent to act as a Disbursing Agent pursuant to the Plan.

66. **“Uninsured Claim”** means any Claim that is not an Insured Claim.

67. **“Unsecured Claim”** means any Claim that is not an Administrative Expense, Priority Claim, Priority Tax Claim, or Secured Claim.

68. **“Voting Classes”** means Classes 1, 3, 4, 5, 6, and 7.

69. **“Voting Deadline”** means 5:00 p.m., Eastern Standard Time, on _____, 2007.

B. Rules of Interpretation and Computation of Time.

1. **Rules of Interpretation.** For purposes of the Plan, unless otherwise provided herein:

a. Whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural;

b. Unless otherwise provided in the Plan; any reference in the Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

c. Any reference in the Plan to an existing document or exhibit Filed or to be Filed means such document or exhibit, as it may have been or may be amended, modified, or supplemented pursuant to the Plan;

d. Any reference to an entity as a holder of an Administrative Expense or a Claim includes that entity's successors, assigns, and affiliates;

e. All references in the Plan to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to the Plan;

f. The words "herein," "hereunder," and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan;

g. Captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan;

h. Subject to the provisions of any contract, articles of incorporation, code of regulations, similar constituent documents, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and Bankruptcy Rules; and

i. The rules of construction set forth in section 102 of the Bankruptcy Code will apply.

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

ARTICLE II

LIQUIDATION OF DEBTOR'S ASSETS

A. **Prior Liquidation of Assets.** The Debtor previously determined, in the discharge of its fiduciary duties under the Bankruptcy Code, that, after it was unable to reorganize as an ongoing hospital operation, it was in the Estate's and Creditors' best interests that the Debtor's assets be liquidated in an orderly fashion, with the net proceeds of such dispositions being distributed to Creditors. Consistent with the foregoing, the Debtor, with Bankruptcy Court approval: (i) sold substantially all of the Debtor's furniture, fixtures, medical equipment and medical supplies; (ii) sold real property of the Debtor, consisting of its hospital facility and two

(2) condominiums; (iii) rejected various Executory Contracts and Unexpired Leases of real and personal property; and (iv) prosecuted and realized recoveries on account of Estate Claims. As of the Confirmation Date, it is anticipated that the only remaining Estate Assets that have not been converted to Cash are a limited amount of outstanding accounts receivable, refunds of insurance policy premiums and deposits held by third parties and possible Estate Claims.

ARTICLE III

LIQUIDATING PLAN TERM SHEET

A. Liquidating Plan Term Sheet. The Plan Proponents agreed to the terms of the Liquidating Plan Term Sheet, approved by the Bankruptcy Court on March 8, 2001, which provided (i) for the interim distributions of certain identified amounts of Cash, (ii) the agreed-upon terms of the Plan and (iii) for settlement of various issues among the Plan Proponents. Specifically, PNC Bank agreed to share its lien in its Collateral, and the proceeds of its lien in certain Collateral, with the Estate pursuant to the terms set forth in the Liquidating Plan Term Sheet. Under the terms of the Liquidating Plan Term Sheet, proceeds from the following sources shall remain with the Estate for distribution in accordance with the terms of the Plan (capitalized terms in #1 through #10 below are used as defined in the Liquidating Plan Term Sheet):

1. Cash - General Account.
2. Cash - preference claims (plus other preference recoveries).
3. IAR/SEELAND extension fee.
4. Ashley/Montrose recovery.
5. One-half of patient account receivable ("A/R").
6. One-half of A/R Medicare/Medicaid/Government.
7. Net proceeds from sales of condominiums.
8. Two-thirds of net proceeds realized on sale of hospital building.
9. 75% of proceeds of all litigation, including fraudulent conveyance actions (excluding preference recoveries of which 100% of the amount recovered stays in the Estate).
10. 75% of net proceeds from any other source.

The specific dollar amounts that will be available for distribution under the Plan are not capable of being determined with any exact certainty. A breakdown of funds that are currently available for distribution is set forth in the Disclosure Statement.

B. General Unsecured Creditor Carveout. Pursuant to the terms of the Liquidating Plan Term Sheet, the Debtor placed the Cash sum of \$250,000 in a segregated account to be used to fund a Pro Rata Distribution to holders of Allowed Unsecured Claims. This fund, which constitutes the General Unsecured Creditor Carveout, was funded exclusively

from the proceeds listed above and is unconditionally earmarked and held in trust for Distribution to holders of Allowed Unsecured Claims and may not be used for any other purpose.

ARTICLE IV

CLASSES OF CLAIMS AND INTERESTS

A Claim or Administrative Expense is classified within a particular Class only to the extent that it qualifies within the description of the Class, and is classified in other Classes to the extent that any remainder thereof qualifies within the description of such other Classes. A Claim or Administrative Expense is classified in a particular Class for the purpose of receiving treatment under the Plan, but only to the extent such Claim or Administrative Expense is an Allowed Claim or Allowed Administrative Expense which has not been paid, released or otherwise satisfied prior to the Effective Date. The Bankruptcy Code does not require certain Administrative Expenses, Priority Claims and Priority Tax Claims to be classified under a plan. However, because the Estate may be administratively insolvent, Allowed Administrative Expenses, Allowed Priority Claims and Allowed Priority Tax Claims may not be paid in full, in cash, on the Effective Date. Such Allowed Administrative Expenses, Allowed Priority Claims and Allowed Priority Tax Claims are therefore classified under the Plan as impaired Classes.

Classes 1, 3, 4, 5, 6, and 7 are impaired within the meaning of section 1124 of the Bankruptcy Code because the Plan alters the legal, equitable, and contractual rights to which the holders of such Administrative Expenses or Claims in such Classes would otherwise have been entitled had this Chapter 11 Case not been commenced. Except as otherwise agreed to by the holder thereof, Administrative Expenses and Claims are classified as follows:

- Class 1.0: PNC Secured Claim: The Allowed Secured Claim of PNC Bank entitled to treatment under section 506 of the Bankruptcy Code and prior orders entered by the Bankruptcy Court.
- Class 2.0 Other Secured Claims: Secured Claims, other than the PNC Secured Claim, which are entitled to treatment under section 506 of the Bankruptcy Code.
- Class 3.0: Administrative Expenses: The Administrative Expenses.
- Class 4.0: Priority Claims: The Unsecured Claims entitled to priority treatment under sections 507(a)(3), (4), (5) and (6) of the Bankruptcy Code.
- Class 5.0: Priority Tax Claims: The Unsecured Claims entitled to priority under section 507(a)(8) of the Bankruptcy Code.
- Class 6.0: Unsecured Claims: The Unsecured Claims and Claims not otherwise classified under the Plan.
- Class 7.0: PNC Unsecured Claim: The Allowed Unsecured Claim of PNC Bank in the amount of \$2,036,700.66.

ARTICLE V

TREATMENT OF CLAIMS AND INTERESTS

- 1.0 PNC Secured Claim: PNC Bank has received payments on account of its Allowed PNC Secured Claim in accordance with the Liquidating Plan Term Sheet and prior orders entered by the Court. Upon Confirmation of the Plan, all such payments on account of the PNC Secured Claim, together with any other Distributions to which PNC Bank is entitled on account thereof and/or under the Plan, if any, shall be deemed ratified and approved as final and the PNC Secured Claim shall be deemed an Allowed Secured Claim. Class 1.0 is impaired.
- 2.0 Other Secured Claims: Each holder of a contractual, possessory or statutory lien that constitutes an Allowed Secured Claim, if any, shall receive on the later of (a) the Effective Date or (b) the date on which such Secured Claim becomes an Allowed Secured Claim, either (i) Cash, in the full amount of such holder's Allowed Secured Claim or (ii) the collateral in which such holder is determined to hold a valid, perfected, and enforceable senior lien and security interest, in full and complete satisfaction of such Allowed Secured Claim. Given the Debtor's belief that all such holders have received either (i) or (ii) above, Class 2.0 is unimpaired.
- 3.0 Administrative Expenses: Each holder of an outstanding Allowed Administrative Expense shall receive Cash equal to the highest Pro Rata portion of the holder's Allowed Administrative Expense not to exceed the full amount of such Allowed Administrative Expense. Subject to Article V, Section B.1. of the Plan, all payments made on account of Administrative Expenses prior to Confirmation of the Plan shall, upon Confirmation of the Plan, be deemed ratified and approved. Class 3.0 may be impaired.
- 4.0 Priority Claims: Each holder of an outstanding Allowed Priority Claim shall receive Distributions, if any, equal to the highest Pro Rata portion of the holder's Allowed Priority Claim not to exceed the full

amount of such Allowed Priority Claim, from Cash available after payment of Allowed Administrative Expenses in Class 3.0. Class 4.0 is impaired.

5.0 Priority Tax Claims:

Each holder of an Allowed Priority Tax Claim shall receive Distributions, if any, equal to the highest Pro Rata portion of the holder's Allowed Priority Tax Claim not to exceed the full amount of such Allowed Priority Tax Claim, from Cash available after payment of Allowed Administrative Expenses in Class 3.0 and Allowed Priority Claims in Class 4.0. Class 5.0 is impaired.

6.0 Unsecured Claims:

Each holder of an Allowed Unsecured Claim will receive a Pro Rata Distribution of the Cash in the General Unsecured Creditor Carveout Account in an amount equal to the highest Pro Rata portion of the holder's Allowed Unsecured Claim not to exceed the full amount of such Allowed Unsecured Claim. Class 6.0 is impaired.

7.0 PNC Unsecured Claim:

PNC Bank agrees, upon Confirmation of the Plan, to subordinate its Allowed PNC Unsecured Claim to 10% of the amount of the Allowed Unsecured Claims in Class 6.0. Once the Creditors holding Allowed Unsecured Claims in Class 6.0 receive a Pro Rata Distribution equal to 10% of their respective Allowed Unsecured Claims, any available Cash remaining in the General Unsecured Creditor Carveout Account, if any, shall be distributed Pro Rata on account of all Allowed Unsecured Claims in Class 6.0 and the Allowed PNC Unsecured Claim in Class 7.0.

A. Treatment of Secured Claims.

1. Secured Claim Held By PNC Bank. Substantially all the Debtor's assets are or were subject to a valid, first priority lien (the "PNC Lien") granted to and held by PNC Bank in connection with certain bonds (the "Bonds") issued on or about September 27, 1990 by the County of Mahoning, Ohio and a letter of credit (the "Letter of Credit") executed thereunder. The proceeds from the Bonds were used to finance the addition of a fourth and fifth floor to one of the Debtor's hospital buildings. The Letter of Credit was originally issued by Marine Bank, predecessor in interest to PNC Bank under a reimbursement agreement (the "Reimbursement Agreement") dated September 1, 1990, between Marine Bank and the Debtor. PNC Bank subsequently acquired Marine Bank, issued a Letter of Credit, and assumed Marine Bank's obligations and rights under the Reimbursement Agreement. The Debtor also entered into a Mortgage and Security Agreement (the "Mortgage") and a separate Security Agreement (Gross Revenues) (the "PNC Security Agreement") granting to PNC Bank the PNC Lien to secure the Debtor's reimbursement obligations to PNC Bank.

a. Challenges to the Validity, Perfection or Priority of the PNC Lien are Barred. No objections were filed challenging the validity, perfection or priority of the PNC Lien in connection with the Order Approving Use of Cash Collateral and Providing Adequate Protection for Creditors Asserting Interests in Cash Collateral, entered by the Court on April 1, 1999, and accordingly all such objections are forever barred. Pursuant to section 363 of the Bankruptcy Code and applicable provisions of the Uniform Commercial Code, the PNC Lien attached to any proceeds derived from the sale of any of the Debtor's assets, subject to the Liquidating Plan Term Sheet, the terms of which form the basis of the Plan.

b. Distributions to PNC Bank. Under the terms of the Liquidating Plan Term Sheet and the Plan, PNC Bank has already received and may in the future receive Distributions from the following sources (capitalized terms in #1 through #10 below are used as defined in the Liquidating Plan Term Sheet):

- (i) Escrow #1.
- (ii) Escrow #2.
- (iii) Proceeds from sale of furniture and equipment to IAR.
- (iv) One-half of patient accounts receivable ("A/R").
- (v) A/R HCAP (to be paid when settlement funds are received from the State of Ohio).
- (vi) One-half of A/R Medicare/Medicaid/Government.
- (vii) One-third of net proceeds realized on sale of hospital building.

(viii) 25% of proceeds of all litigation, including fraudulent conveyance actions (excluding preference recoveries of which 100% of the amount recovered stays in the Estate).

(ix) 25% of net proceeds from any other source.

(x) All refunds of insurance policy premiums and utility deposits.¹

Prior to December 31, 2006, PNC Bank had received an aggregate \$3,287,766.84 in distributions from the Debtor on account of its PNC Secured Claim. In January 2007, the Debtor distributed an additional \$466,566.94 to PNC Bank on account of its PNC Secured Claim from proceeds realized by the Debtor under the settlement of the D&O Litigation (as defined in the Disclosure Statement).

c. Retention of Lien in Certain Assets of the Debtor. PNC Bank will, upon the Effective Date, retain its lien solely in those assets from which, under the terms of the Liquidating Plan Term Sheet, PNC Bank has already, or may in the future, receive payments. In the event the Plan is not confirmed, PNC Bank will retain all of its Claims and the PNC Lien and will not voluntarily contribute to the Estate any value or property that is subject to the PNC Lien for the satisfaction of any other remaining Claims of Creditors, except for the General Unsecured Creditor Carveout which is unconditionally earmarked and held in trust for distribution to holders of Allowed Unsecured Claims and may not be used for any other purpose.

d. Subordination of Remaining Unsecured Claim Held by PNC Bank. PNC Bank presently holds the PNC Unsecured Claim in the amount of \$2,036,700.66. PNC Bank agrees, upon Confirmation of the Plan, to subordinate its PNC Unsecured Claim to 10% of the amount of the Allowed Unsecured Claims in Class 6.0. Once the Creditors holding Allowed Unsecured Claims in Class 6.0 receive a Pro Rata Distribution equal to 10% of their respective Allowed Unsecured Claims, any available Cash remaining in the General Unsecured Creditor Carveout Account, if any, shall be distributed Pro Rata on account of all Allowed Unsecured Claims in Class 6.0 and the Allowed PNC Unsecured Claim in Class 7.0.

e. Release of PNC Bank. For and in consideration of the provisions set forth in this Plan and the Liquidating Plan Term Sheet, the sufficiency of which is acknowledged by the Debtor, upon Confirmation of the Plan the Debtor, the Committee and all Creditors of the Estate, for and on behalf of themselves, their representatives, predecessors, successors, assigns, subsidiaries, and affiliates, shall hereby be deemed to fully and forever release, acquit and forever discharge PNC Bank, its predecessors, successors and assigns, subsidiaries and affiliates, and each of their respective agents, servants, employees, officers, directors,

¹ PNC Bank agreed that the Estate could use any refund received from OHIC to extend its D&O policy, provided PNC Bank is reimbursed from a D&O litigation recovery for premiums paid.

insurers, attorneys, shareholders, successors and assigns (hereinafter "PNC Bank Released Parties"), from any and all actions, causes of action, claims and demands of whatsoever kind or nature arising from the beginning of the world to the date of the Confirmation of the Plan, including but not limited to any claim which the Debtor, the Committee or the Estate has or may have against any of the PNC Bank Released Parties because of or resulting from or out of or relating to any agreement, transaction, relationship, or otherwise, between the Debtor, the Committee and the Estate and the PNC Bank Released Parties, other than any claims arising from a breach of the Plan.

B. Treatment of Administrative Expenses.

1. Administrative Expenses. Except as specified in the Plan, and subject to the Administrative Expense Bar Date Order, unless otherwise agreed by the holder of an outstanding Allowed Administrative Expense, each holder of an outstanding Allowed Administrative Expense will receive, in full satisfaction of its Allowed Administrative Expense, payment of its Pro Rata share of available Cash until such Allowed Administrative Expense has been paid in full, without interest, as soon as practicable after the Effective Date or, if the Administrative Expense is not allowed as of the Effective Date, as soon as practicable after the later of 30 days after the date on which an order allowing such Administrative Expense becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by the Liquidating Debtor or the Liquidation Agent and applicable Administrative Expense holder. Furthermore, all payments made on account of Administrative Expenses prior to Confirmation of the Plan shall, upon Confirmation of the Plan, be deemed ratified and approved, except to the extent that the Liquidation Agent files an objection to any such prior payment or to such Administrative Expense by the later of (A) 120 days after the Effective Date or (B) such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice.

2. Statutory Fees. On the Effective Date, the Allowed Administrative Expense for fees payable pursuant to 28 U.S.C. § 1930 as determined by the Bankruptcy Court will be paid in Cash equal to the amount of such Allowed Administrative Expense. Fees payable pursuant to 28 U.S.C. § 1930 for time periods after the Confirmation Date will be paid by the Liquidation Agreement on a quarterly basis until the Bankruptcy Court enters a final decree closing the Chapter 11 Case.

3. Bar Dates for Administrative Expenses.

a. General Bar Date Provisions. The Administrative Expense Bar Date Order established July 15, 2002 (the "Administrative Bar Date") as the deadline by which all Persons and entities, including all individuals, former and present employees, partnerships, corporations, estates, trusts, and governmental units, must have filed a request for payment of and/or a proof of claim evidencing alleged Administrative Expenses against the Debtor. The Administrative Bar Date applies to all holders of alleged Administrative Expenses, except those of Professionals appointed pursuant to section 327 and/or 328 of the Bankruptcy Code. Holders of an Administrative Expense that were required to File and serve

a request for payment of and/or proof of claim of such Administrative Expense and that did not File and serve a request and/or a proof of claim by the applicable Administrative Bar Date are forever barred from asserting such Administrative Expense against the Debtor, the Liquidating Debtor or the Estate Assets. Objections to allowance of Administrative Expenses must be Filed and served on the parties that were served with such requests and/or proof of claim and the requesting party by the later of (A) 120 days after the Effective Date or (B) such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice.

b. Bar Date for Administrative Expenses for Professional Compensation. Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Liquidating Debtor, the Liquidation Agent, the Committee, the United States Trustee for this Region and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 45 days after the Effective Date. Objections to any Fee Claim must be Filed and served on the parties that were served with such application and the requesting party by the later of: (A) 65 days after the Effective Date, (B) 20 days after the Filing of the applicable application for final allowance of the Fee Claim or (C) such later date as provided for by order of the Bankruptcy Court, which order may be entered without further notice.

C. Treatment of Priority Claims.

1. Priority Claims. Subject to the Plan, including Article V, Section G. and Article VII, unless otherwise agreed by the holder of an Allowed Priority Claim and the Liquidating Debtor or the Liquidation Agent, each holder of an Allowed Priority Claim in Class 4 will receive, in full satisfaction of its Allowed Priority Claim, without interest, Distribution of its Pro Rata share of available Cash, if any, after payment of Allowed Administrative Expenses in Class 3, as soon as practicable after the Effective Date and no later than the Final Distribution Date. If the Priority Claim is not allowed as of the Effective Date, such Distributions, if any, shall be made as soon as practicable after the later of 30 days after the date on which an order allowing such Priority Claim becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by the Liquidating Debtor or the Liquidation Agent and the holder of the Priority Claim.

2. Priority Tax Claims. Subject to the Plan, including Article V, Section G. and Article VII, unless otherwise agreed by the holder of an Allowed Priority Tax Claim and the Liquidating Debtor or the Liquidation Agent, each holder of an Allowed Priority Tax Claim in Class 5 will receive, in full satisfaction of its Allowed Priority Tax Claim, without interest, Distribution of its Pro Rata share of available Cash, if any, after payment of Allowed Administrative Expenses and Allowed Priority Claims in Class 4, as soon as practicable after the Effective Date and no later than the Final Distribution Date. If the Priority Tax Claim is not allowed as of the Effective Date, such Distributions, if any, shall be made as soon as practicable after the later of 30 days after the date on which an order allowing such Priority Tax Claim becomes a Final Order or a Stipulation of

Amount and Nature of Claim is executed by the Liquidating Debtor or the Liquidation Agent and the holder of the Priority Tax Claim.

3. Other Provisions Concerning Treatment of Priority Tax Claims. The holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim, unless any such penalty is part of an Allowed Priority Tax Claim that is allowed by order of the Bankruptcy Court prior to the Confirmation Date. Any such Claim or demand for any such penalty will be deemed disallowed by Confirmation of the Plan and the holder of an Allowed Priority Tax Claim will be enjoined from assessing or attempting to collect such penalty from the Estate.

D. Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims. Distributions under the Plan to each holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified; provided, however, that the maximum amount of any Distribution under the Plan on account of an Allowed Insured Claim shall be limited to an amount equal to: (1) the applicable deductible under the relevant insurance policy, minus (2) any reimbursement obligations of the Debtor to the insurance carrier for sums expended by the insurance carrier on account of such Claim (including defense costs). Nothing in this Section D will constitute a waiver of any claim, demand, debt, right, cause of action, or liability that any entity may hold against any other entity, including the Debtor's insurance carriers.

E. Treatment of Unsecured Claims. Subject to and except as otherwise specified in the Plan and the Bar Date Order, including Articles V and VII of the Plan, and unless otherwise agreed by the holder of an Allowed Unsecured Claim and the Liquidating Debtor or the Liquidation Agent, each holder of an Allowed Unsecured Claim in Class 6 will receive, in full satisfaction of its Allowed Unsecured Claim, without interest, Distribution of its Pro Rata share of available Cash solely from and in the General Unsecured Creditor Carveout Account, not to exceed the full amount of any such Allowed Unsecured Claim, as soon as practicable after the Effective Date and no later than the Final Distribution Date. If the Unsecured Claim is not allowed as of the Effective Date or is subject to objection as provided in the Plan, such Pro Rata Distributions shall be made as soon as practicable after the later of 30 days after the date on which an order allowing such Unsecured Claim becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by the Liquidating Debtor or the Liquidation Agent and the Holder of the Unsecured Claim.

F. Treatment of PNC Unsecured Claim. Upon Confirmation of the Plan, the Allowed PNC Unsecured Claim in Class 7 shall be deemed subordinated to 10% of the aggregate amount of the Allowed Unsecured Claims in Class 6 of the Plan. Once the Creditors holding Allowed Unsecured Claims in Class 6.0 receive a Pro Rata distribution equal to 10% of their respective Allowed Unsecured Claims, any available Cash remaining in the General Unsecured Creditor Carveout Account, if any, shall be distributed Pro Rata on account of all Allowed Unsecured Claims in Class 6.0 and the Allowed PNC Unsecured Claim in Class 7.0. The foregoing shall be in complete satisfaction and discharge of the Allowed PNC Unsecured Claim.

G. Bar Date. The Bar Date Order established January 21, 2000 as the Bar Date deadline by which all Persons and entities must have filed a proof of claim evidencing an alleged

Claim, including any Secured Claim, Priority Claim, Priority Tax Claim and/or Unsecured Claim, against the Debtor. Holders of a Claim that were required to File and serve a proof of claim and that did not File and serve a proof of claim by the Bar Date are forever barred from asserting such Claim against the Debtor, the Liquidating Debtor or the Estate Assets. Objections to allowance of Claims, including any Secured Claims, Priority Claims, Priority Tax Claims and/or Unsecured Claim, must be Filed and served on the parties that were served with such proof of claim and the holder of such claim by the later of (A) 120 days after the Effective Date or (B) such later date as provided for by order of the Court, which order may be entered without further notice.

H. Provisions Regarding Interest. No holder of any Allowed Administrative Expense or Allowed Claim will be entitled to any Distribution on account of accrued pre-petition or postpetition interest in respect of their Allowed Administrative Expense or Allowed Claim.

ARTICLE VI

VOTING OF ADMINISTRATIVE EXPENSES AND CLAIMS

Pursuant to the Bankruptcy Code, Classes 1, 3, 4, 5, 6, and 7 ("Voting Classes") are entitled to vote on the Plan.

Any holder of an Administrative Expense (as to Class 3) and any Creditor in any of the Voting Classes is entitled to vote if (i) such Creditor's Claim has been scheduled by the Debtor in the Schedules filed with the Bankruptcy Court as not disputed, not contingent, and not unliquidated, or (ii) such holder of an Administrative Expense has filed a request for payment or a proof of Administrative Expense or such Creditor has filed a proof of Claim on or before the applicable Bar Date and such Administrative Expense or Claim has not been objected to by the Debtor or disallowed for voting purposes by the Bankruptcy Court.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that an acceptance or rejection was not solicited or procured or made in good faith or in accordance with the provisions of the Bankruptcy Code.

ARTICLE VII

MEANS FOR IMPLEMENTATION OF THE PLAN

A. The Liquidating Debtor; Vesting of Estate Assets.

The Debtor will, as a Liquidating Debtor, continue to exist after the Effective Date as a separate not-for-profit corporate entity. The Liquidating Debtor shall have all the powers of a not-for-profit corporation under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution, or otherwise) under applicable state law; provided, however, that the corporate purpose of the Liquidating Debtor shall be limited to taking such actions as are necessary to implement, and are consistent with implementing, the Plan. Any dispute as to the propriety of any action sought to be taken by the Liquidating Debtor shall be resolved by the Bankruptcy Court. On and after the Effective Date, all Distributable Assets of the Debtor will vest in the Liquidating Debtor, under the control of the Liquidation Agent. The Liquidating Debtor shall remain in existence until the Distributable Assets have

been wholly converted to Cash or liquid assets, distributed or abandoned, and all costs, expenses and obligations incurred in administering the Plan have been fully paid and discharged, and all remaining income, proceeds, and products of the Distributable Assets have been distributed in accordance with the Plan. Thereupon, the Liquidation Agent, with the consent of the Committee and PNC Bank, is authorized to take action to dissolve the Debtor, as Liquidating Debtor, under Ohio law.

B. Governance of the Liquidating Debtor. As of the Effective Date, the Articles of Incorporation and Bylaws of the Liquidating Debtor will provide that the affairs of the Liquidating Debtor will be managed by or under the direction of a new Board of Trustees. The initial new Board of Trustees will be composed of one member, who will also be the sole officer of the Liquidating Debtor. The Committee, with the consent of PNC Bank, will appoint the individual serving as the sole Trustee and officer of the Liquidating Debtor, which individual may be the Liquidation Agent. The Articles of Incorporation of the Liquidating Debtor will provide that the sole officer and Trustee of the Liquidating Debtor will serve until all Distributable Assets have been wholly converted to Cash or liquid assets, distributed or abandoned, and all costs, expenses and obligations incurred in administering the Plan have been fully paid and discharged, and all remaining income, proceeds, and products of the Distributable Assets have been distributed in accordance with the Plan, or until his or her earlier death, resignation, retirement, disqualification, or removal from office. Prior to Confirmation, the Committee will provide the name, age, and principal occupation of the proposed sole Trustee and officer of the Liquidating Debtor, together with a brief biographical sketch. If the Liquidating Debtor's sole Trustee and officer is an individual other than the Liquidation Agent, such individual shall cooperate with and not take any actions inconsistent with those of the Liquidation Agent under the terms of the Plan.

C. Establishment of Liquidation Account. As of the Effective Date, the Liquidation Agent shall establish a Liquidation Account for the purpose of receiving and holding liquidated Estate Assets pending Distributions pursuant to this Plan. The funds in the Liquidation Account shall remain separate from, and may not be commingled with, the funds in the General Unsecured Creditor Carveout Account.

D. Remaining Asset Liquidation. The Liquidation Account established pursuant to subsection C above shall be maintained at a depository institution satisfactory to the United States Trustee and all Cash held therein or in separate accounts established to carry out this Plan shall, in all respects, conform to the requirements of section 345 of the Bankruptcy Code.

The Liquidation Agent shall File quarterly reports of receipts and disbursements respecting the Liquidation Account and shall serve a copy of each such quarterly report upon respective counsel for the Committee and PNC Bank. The Liquidation Agent shall have the authority to endorse the payment of notes or other obligations of the Debtor and Liquidating Debtor and to deposit any monies or securities with any financial institution at which a Liquidation Account resides.

Notwithstanding the appointment of the Liquidating Debtor's sole Trustee and officer, effective on the Confirmation Date the Liquidation Agent will assume the role of Estate administrator for the purposes of carrying out all provisions of the Plan. Subject to subsection G below, the Liquidation Agent shall be the sole agent of the Estate with the authority to bind the

Estate. The Liquidation Agent shall have the authority to, among other things, liquidate tangible and intangible assets in whatever manner he deems appropriate; prosecute and compromise actions on behalf of the Estate, including Estate Claims and claims arising under Chapter 5 of the Bankruptcy Code; waive any applicable statutory or common law privilege which is held by or could be asserted by the Debtor; and take such other measures as are appropriate to maximize Estate Assets and Distributable Assets. The Liquidation Agent shall have the authority to hire counsel and other professionals in order to accomplish his duties as contemplated herein. The Liquidation Agent reserves the right to retain the law firm of Benesch, Friedlander, Coplan & Aronoff LLP as his counsel. The Liquidation Agent shall be compensated by the Estate and without approval of the Bankruptcy Court for fees incurred up to an aggregate of \$20,000, after which the Liquidation Agent shall File with the Bankruptcy Court an application for approval of any such additional fees. If the Liquidating Debtor's sole Trustee and officer is an individual other than the Liquidation Agent, such individual may be compensated by the Estate without approval of the Bankruptcy Court for fees incurred up to an aggregate of \$5,000, after which such sole Trustee and officer shall File with the Bankruptcy Court an application for approval of any such additional fees. If the Liquidation Agent serves as the Liquidating Debtor's sole Trustee and officer, the Liquidation Agent shall not be entitled to any additional compensation by the Estate for serving as the sole Trustee and officer, unless specifically approved by the Bankruptcy Court. At all times, the Estate shall be responsible for reimbursing the Liquidating Debtor's sole Trustee and officer and the Liquidation Agent for out-of-pocket expenses incurred in connection with the sole Trustee and officer's and the Liquidation Agent's performance of their respective duties required by the Plan. No applications for employment or affidavits shall be necessary for the Liquidation Agent to retain professionals.

E. Satisfaction of Claims. All Classes shall receive the treatment set forth in the Plan on account of and in complete satisfaction of all Allowed Administrative Expenses and all Allowed Claims and the holders thereof shall have no further rights against the Debtor, the Committee, the Liquidating Debtor, the Liquidation Agent, any of their respective Professionals or the Estate Assets. In order to provide for the continuing participation and service of the Liquidation Agent and his professionals, notwithstanding the priorities set forth in this Plan, payment of fees and expenses of the Liquidation Agent and his professionals in accordance with this Article VII shall occur before the Distributions contemplated under the Plan.

No holder of an Administrative Expense or a Claim shall have any rights or claims against the Debtor, the Liquidating Debtor, the Committee, the Professionals, the Liquidation Agent or the Estate Assets, other than as may be provided in the Plan. Except as provided for in the Plan, upon the entry of the Confirmation Order, each holder of an Administrative Expense and each Creditor, for themselves and for their successors and assigns, shall be deemed to have remised, waived, relinquished and released any and all liabilities, claims, suits, demands, damages and all manner or actions or causes of action, whatsoever, in law or equity or under federal or state law, if any, against the Debtor, the Liquidating Debtor, the Committee, the Professionals, the Liquidation Agent or the Estate in any way related, directly or indirectly, to the Debtor, any action or conduct by the Debtor or the Chapter 11 Case, including, but not limited to, any liabilities, claims, suits, demands, damages and all manner of action or causes of action, which may have arisen, may now exist or may hereafter arise or exist.

F. Effectuating Documents. After the Effective Date, the Liquidation Agent shall be authorized to execute, file or record such contracts, releases, agreements, instruments, and

other documents as may be necessary to effectuate or reflect the terms and conditions of the Plan.

G. Rights, Powers, and Duties of the Liquidation Agent.

1. Subject to the direction of the Committee and PNC Bank as provided in subsection H below, upon the Effective Date the Liquidation Agent shall have such power and authority granted by common law or any applicable statute necessary to implement the Plan.

2. The Liquidation Agent shall, at the direction of the Committee and PNC Bank, have full authority to prosecute and defend any causes of action, including with respect to Distributable Assets and/or affecting the Plan and which may or might arise under the provisions of the Bankruptcy Code and/or any applicable state law including, but not limited to, those causes of action set forth in sections 542 through 553 of the Bankruptcy Code, subject to any Final Order entered by the Bankruptcy Court prior to the Confirmation Date. Except as provided in any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Liquidating Debtor and the Liquidation Agent shall retain and may enforce any claims, rights, and causes of action that the Debtor or the Liquidating Debtor may hold against any Person or entity, subject to any Final Order entered by the Bankruptcy Court prior to the Confirmation Date. The Liquidation Agent, at the direction of the Committee and PNC Bank, may pursue such retained claims, rights, or causes of action, as appropriate, in accordance with the best interests of the Liquidating Debtor and the Estate.

3. The Liquidation Agent shall have full authority to do and perform all acts, to execute all documents, and to make all payments and disbursements of funds appropriate and necessary to be done, executed, performed, paid, and disbursed by the provisions of the Plan.

4. Subject to Article VII, Section D above and Section H below, after the Effective Date the reasonable compensation of the Liquidating Debtor's sole Trustee and officer, the Liquidation Agent, and attorneys, accountants, and other persons employed or retained by the Liquidation Agent or the Committee shall not be subject to approval of the Bankruptcy Court. However, the Liquidation Agent shall provide notice to the Committee and PNC Bank of compensation to be paid to the Liquidating Debtor's sole Trustee and officer, the Liquidation Agent, attorneys, accountants and other persons employed or retained by the Liquidation Agent or the Committee.

5. All costs, expenses, and obligations incurred by the Committee and PNC Bank in administering the Plan, or in any manner connected, incidental, or related thereto, including those of attorneys, accountants, and other persons employed by the Liquidation Agent or the Committee and PNC Bank to assist in the administration and distribution of the Distributable Assets, including Disbursing Agents, shall be a charge against the Distributable Assets in the General Distribution Account, and the Liquidation Agent shall establish adequate reserves for such payment prior to making distributions hereunder.

H. Continued Existence of the Committee and Committee Approval. After the Effective Date, the Committee shall continue in existence until all Distributions required to be made under the Plan are complete and the Bankruptcy Court has entered a final decree closing the Chapter 11 Case. After the Effective Date, the Committee may, in its sole discretion, alter its membership or appoint any person or entity to act in its place consistent with the provisions of the Plan. The Committee, after consulting with PNC Bank, shall have the right to direct the Liquidating Debtor's or Liquidation Agent's actions in implementing and consummating the Plan, including but not limited to the following actions: (a) agreeing to a settlement of the amount or treatment of an Administrative Expense; (b) executing a Stipulation of Amount and Nature of Claim; (c) agreeing to the treatment of a Secured Claim; (d) agreeing to a settlement of the amount or treatment of a Priority Claim or a Priority Tax Claim; (e) requesting the Bankruptcy Court to estimate a contingent or unliquidated Claim; and (f) compromising, settling, withdrawing, or resolving a Claim.

I. Discharge of Claims and Termination of Interests. Pursuant to section 1141(d)(3) of the Bankruptcy Code, Confirmation will not discharge Claims against the Debtor; provided, however, that no holder of a Claim against the Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, the Debtor, the Liquidating Debtor, their respective successors, or their respective property, except as expressly provided herein.

J. Injunctions.

1. As of the Effective Date, all entities that have filed, currently hold, or may hold an Administrative Expense and/or a Claim, demand, debt, right, cause of action, or liability that is treated pursuant to the Plan are permanently enjoined from taking any of the following actions against any released entity, including any third party, or its property on account of such released claims, demands, debts, rights, causes of action, or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any lien or encumbrance; (d) asserting a setoff, right of subordination, or recoupment of any kind against any debt, liability, or obligation due to any released entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

2. By accepting Distributions pursuant to the Plan, each holder of an Allowed Administrative Expense or Allowed Claim receiving Distributions pursuant to the Plan will be deemed to have specifically consented to the releases and injunctions set forth in the Plan.

K. Termination of Subordination Rights and Settlement of Related Claims and Controversies.

1. The classification and manner of treating all Claims under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, section 510(c) of the Bankruptcy Code, or otherwise. All subordination rights that a holder of a Claim may have with respect to any Distribution to be made pursuant to the Plan will be discharged and terminated, and all actions related to

the enforcement of such subordination rights will be permanently enjoined. Accordingly, Distributions pursuant to the Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment, or other legal process by a beneficiary of such terminated subordination rights.

2. Pursuant to Bankruptcy Rule 9019 and in consideration of the Distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights, that a holder of a Claim may have with respect to any Allowed Claim, or any distribution to be made pursuant to the Plan on account of such Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtor, the Liquidating Debtor, and their respective property and Claim holders, and is fair, equitable, and reasonable.

L. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes. The Liquidation Agent, at the direction of the Committee and PNC Bank, will 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 implement the provisions of the Plan pursuant to section 1146(c) of the Bankruptcy Code, including: (1) the creation of any mortgage, deed of trust, lien, or other security interest; (2) the making or assignment of any lease or sublease; or (3) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any merger agreements; agreements of consolidation, restructuring, disposition, liquidation, or dissolution; deeds; bills of sale; or assignments will not be subject to any stamp tax, real estate transfer tax, or similar tax.

ARTICLE VIII

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Executory Contracts and Unexpired Leases to be Rejected. On the Effective Date, except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned, or rejected by an order of the Bankruptcy Court, each Executory Contract and Unexpired Lease entered into by the Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, effective as of March 31, 2000, the date the Debtor ceased its business operations. Other parties to an Executory Contract or Unexpired Lease shall not be entitled to an Administrative Expense under any Executory Contract or Unexpired Lease not previously rejected by the Debtor.

B. Bar Date for Rejection Damages. Notwithstanding anything in the Bar Date Order to the contrary, if the rejection of an Executory Contract or Unexpired Lease pursuant to Section A gives rise to a Claim by the other party or parties to such contract or lease, such Claim

will be forever barred and will not be enforceable against the Debtor, the Liquidating Debtor, their respective successors, or their respective properties unless a proof of Claim is Filed and served on the Liquidation Agent pursuant to the procedures as specified in the Confirmation Order and the notice of the entry of the Confirmation Order or other order of the Bankruptcy Court, no later than 30 days after the Effective Date.

ARTICLE IX

PROVISIONS GOVERNING DISTRIBUTIONS

A. General Distribution Provisions.

1. **Method of Distributions.** The Liquidation Agent will make all Distributions required under the Plan. The Liquidation Agent will serve without bond, and may employ or contract with other entities to assist in or make the Distributions required by the Plan.

2. **Distributions to be Made on Effective Date.** Subject to the Plan, including Articles V and VII, Distributions to be made on or as soon as practicable after the Effective Date to holders of Administrative Expenses and Claims that are allowed as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (a) such later date as the Liquidation Agent has Cash funds sufficient to make such Distributions while retaining appropriate reserves for payment of (i) all costs, expenses, and obligations incidental to consummation of the Plan and (ii) all other Administrative Expenses and Claims that have the same priority or a higher priority of payment as established herein (such reserves to be established by the Liquidating Debtor or Liquidation Agent with the Committee's approval) or (b) such later date when the applicable conditions of Section B (regarding undeliverable Distributions) are satisfied. Distributions on account of Administrative Expenses and Claims that become allowed after the Effective Date will be made pursuant to subsection A.4.

3. **Compensation and Reimbursement for Services Related to Distributions.** Each Disbursing Agent providing services related to distributions pursuant to the Plan will receive from the Liquidation Agent, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with the Committee, and will be paid from the General Distribution Account with respect to services relating to the distributions to any other person or entity.

4. **Timing and Calculation of Amounts to be Distributed.**

a. **Establishment of Distribution Dates.** Distribution Dates shall be established by the Liquidation Agent in consultation with the Committee. The Liquidation Agent shall establish Distribution Dates with a goal of making Distributions as soon as practicable, but shall not establish a Distribution Date for a Distribution unless sufficient Cash funds exist in the General Distribution

Account to warrant making such a Distribution after consideration of the cost of making such a Distribution.

b. Allowed Claims in Non-Reserve Classes. Subject to the Plan, including Articles V and VII, as soon as practicable after the Effective Date each holder of an Allowed Administrative Expense or Allowed Claim in a non-Reserve Class will receive the full amount of the Distributions that the Plan provides for Allowed Administrative Expenses or Allowed Claims in the applicable non-Reserve Class. Thereafter, subject to available Cash, on each Distribution Date, Distributions will also be made, pursuant to this Article IX to holders of Disputed Administrative Expenses or Disputed Claims in any Class that became Allowed Administrative Expenses or Allowed Claims since the previous Distribution Date. Such Distributions also will be in the full amount that the Plan provides for Allowed Administrative Expenses or Allowed Claims in the applicable Class.

c. Allowed Claims in Reserve Classes.

(i) Initial Distributions. The amount of the initial Distributions to be made as soon as practicable after the Effective Date from the General Distribution Account to holders of Allowed Administrative Expenses and Allowed Claims in the Reserve Classes on account of such Administrative Expenses and Claims will be calculated as if each Disputed Administrative Expense and Disputed Claim in the Reserve Classes were an Allowed Administrative Expense and Allowed Claim in its Face Amount. Before making any Distribution to a Reserve Class, the Liquidation Agent will confirm the existence of or establish an appropriate reserve for Disputed Secured Claims, Disputed Administrative Expenses, Disputed Priority Claims, and Disputed Priority Tax Claims. In making any Distribution to a Reserve Class, the Liquidation Agent will account for and reserve for Distributions that are being made and/or will need to be made to other Reserve Classes. On each Distribution Date, Distributions also will be made, pursuant to Section c to holders of Disputed Administrative Expense and Disputed Claims in the Reserve Classes that became Allowed Administrative Expense and Allowed Claims since the previous Distribution Date. Such Distributions will also be calculated pursuant to the provisions set forth in this Section.

(ii) Additional Distributions on Account of Previously Allowed Administrative Expenses and Claims. On each Distribution Date, each holder of an Administrative Expense or a Claim previously Allowed in a Reserve Class will receive an additional Distribution from the General Distribution Account on account thereof in an amount equal to: (i) the amount of Cash that such holder would have been entitled to receive pursuant to Article V as if such an Administrative Expense or Claim had become an Allowed Administrative Expense or Claim on the applicable Distribution Date, minus (ii) the aggregate amount of Cash previously distributed on account of such Administrative Expense or Claim. Each such additional Distribution also will include, on the basis of

the amount then being distributed, a Pro Rata share of the Cash Investment Yield from the investment of any Cash in the General Distribution Account, from the date such amounts would have been due had such Administrative Expense or Claim initially been paid 100% of the Allowed amount thereof on the date of the first distribution to the date that such distribution is made.

(iii) **Special Provisions Regarding Distributions to Reserve Classes.** To the extent that any distribution to be made to an Allowed Administrative Expense or Claim holder (which Allowed Administrative Expense or Claim holder has not already received a distribution hereunder) from a Reserve Class on any Distribution Date is less than \$10, the Liquidation Agent shall withhold such distribution until a later Distribution Date on which the cumulative amount to be distributed to such Allowed Administrative Expense or Allowed Claim holder is equal to or greater than \$10, if ever.

B. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. **Delivery of Distributions in General.** Distributions to holders of Allowed Administrative Expenses and Allowed Claims will be made by the Liquidation Agent: (a) at the addresses set forth on the respective requests for payment and/or proofs of Claim Filed by holders of such Administrative Expenses and Claims, (b) at the addresses set forth in any written certification of address change delivered to the Liquidation Agent after the date of Filing of any related requests for payment and/or proofs of Claim or (c) at the addresses reflected in the Debtor's Schedules if no proof of Claim has been Filed and the Liquidation Agent has not received a written notice of a change of address.

2. **Undeliverable Distributions Held by the Liquidation Agent.**

a. **Holding of Undeliverable Distributions.** If any Distribution to an Allowed Administrative Expense or Allowed Claim holder is returned to the Liquidation Agent as undeliverable, no further distributions will be made to such holder unless and until the Liquidation Agent is notified by written certification of such holder's then-current address. Nothing contained in the Plan will require the Liquidation Agent to attempt to locate any holder of an Allowed Administrative Expense or Allowed Claim. Undeliverable Distributions will remain in the possession of the Liquidation Agent pursuant to this Section until such time as a distribution becomes deliverable.

b. **After Distributions Become Deliverable.** On each Distribution Date, the Liquidation Agent will make all Distributions that became deliverable to holders of Allowed Administrative Expenses and Allowed Claims since the previous Distribution Date. Each such Distribution will include, to the extent applicable, a Pro Rata share of the Cash Investment Yield from the investment of any undeliverable Distribution from the date that such Distribution would have first been due had it then been deliverable to the date that such Distribution becomes deliverable.

c. Failure to Claim Undeliverable Distributions. Any holder of an Administrative Expense or Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable Distribution to be made by the Liquidation Agent within one year after the later of (i) the Effective Date and (ii) the last date on which a Distribution was first deliverable to such holder will be forever barred from asserting any such claim against the Debtor, the Liquidating Debtor, the Liquidation Agent, PNC Bank, the Committee or their respective property. In such cases, any Cash held for Distribution on account of such Claims will be deposited in the General Distribution Account for redistribution.

C. Distribution Record Date. Except as otherwise provided in an order of the Bankruptcy Court that is not subject to any stay, the transferees of Claims in a Reserve Class that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date.

D. Means of Cash Payments. Except as otherwise specified herein, Cash Distributions made pursuant to the Plan will be in U.S. dollars by checks drawn on a domestic bank selected by the Liquidation Agent, or by wire transfer from a domestic bank, at the option of the Liquidation Agent; provided, however, that Cash Distributions to foreign holders of Allowed Administrative Expenses or Allowed Claims may be made, at the option of the Liquidation Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

E. De Minimis Distributions. The Liquidation Agent will not be required to Distribute Cash to the holder of an Allowed Administrative Expense or Allowed Claim in an impaired Class if the amount of Cash to be distributed on account thereof is less than \$10. Any holder of an Allowed Administrative Expense or Allowed Claim on account of which the amount of Cash to be distributed is less than \$10 will be forever barred from asserting any such Expense or Claim against the Liquidating Debtor or Estate Assets. Any Cash not distributed pursuant to this Section E with respect to Allowed Administrative Expense or Allowed Claims will be retained in the General Distribution Account for Pro Rata redistribution to the holders of Allowed Administrative Expense or Allowed Claims in an impaired Class in excess of \$10.

F. Compliance with Tax Requirements.

1. In connection with the Plan, to the extent applicable, the Liquidation Agent will comply with all tax withholding and reporting requirements imposed on the Liquidating Debtor by any governmental unit, and all Distributions pursuant to the Plan will be subject to such withholding and reporting requirements. The Liquidation Agent will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements.

2. Notwithstanding any other provision of the Plan, each Person or entity receiving a Distribution pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding, and other tax obligations.

G. Setoffs. Except with respect to Claims of the Debtor or the Liquidating Debtor released pursuant to the Plan or in any contract, instrument, release, or other agreement or document created in connection with the Plan, the Liquidation Agent may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, set off against any Allowed Administrative Expense or Allowed Claim and the Distributions to be made pursuant to the Plan on account thereof (before any Distribution is made on account thereof) the claims, rights, and causes of action of any nature that the Debtor or the Liquidating Debtor may hold against the holder of such Allowed Administrative Expense or Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Administrative Expense or Claim hereunder will constitute a waiver or release by the Debtor or the Liquidating Debtor of any such claims, rights, and causes of action that the Debtor or the Liquidating Debtor may possess against such holder.

ARTICLE X

PROCEDURES FOR RESOLVING DISPUTED ADMINISTRATIVE EXPENSES OR DISPUTED CLAIMS

A. Prosecution of Objections.

1. Objections to Claims. All objections to Administrative Expenses or Claims must be Filed and served on the holders thereof by the applicable dates set forth in this Plan. If an objection is not timely Filed, the applicable Administrative Expense or Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim if such applicable Administrative Expense or Claim has not been allowed earlier.

2. Authority to Prosecute Objections. After the Effective Date, only the Liquidating Debtor, the Liquidation Agent, the Committee and PNC Bank will have the authority to File objections, settle, compromise, withdraw, or litigate to judgment objections to Administrative Expenses or Claims. After the Effective Date, the Liquidating Debtor, the Liquidation Agent, the Committee and PNC Bank may settle or compromise any Disputed Claim without approval of the Bankruptcy Court.

B. Treatment of Disputed Expenses and Claims.

1. No Payments on Account of Disputed Expenses and Claims. Notwithstanding any other provisions of the Plan, no Distributions will be made on account of a Disputed Administrative Expense or Disputed Claim or, if less than an entire Administrative Expense or Claim is a Disputed Administrative Expense or Disputed Claim, the portion of such Administrative Expense or Claim that is a Disputed Administrative Expense or Disputed Claim, until such Administrative Expense or Claim or portion of such Administrative Expense or Claim becomes an Allowed Administrative Expense or Allowed Claim.

2. Recourse. Each holder of a Disputed Administrative Expense or Disputed Claim that ultimately becomes an Allowed Administrative Expense or Allowed Claim will have recourse only to the undistributed Cash held in the General Distribution Account and not to any assets previously distributed on account of any Allowed

Administrative Expense or Allowed Claim. To the extent that reserves were established by the Liquidation Agent with respect to: (a) an unliquidated Administrative Expenses or Claim or (b) any Administrative Expenses or Claims that are ultimately allowed in an amount greater than its or their Face Amount, and such reserves are not sufficient to cover the amount to be distributed to remaining Allowed Administrative Expense or Allowed Claims in a Reserve Class, the Liquidation Agent will have no liability therefor and holders of such remaining Allowed Administrative Expenses or Allowed Claims shall have recourse only to the undistributed Cash held in the General Distribution Account and not to any assets previously distributed on account of any Allowed Administrative Expense or Allowed Claims.

C. **Distributions on Account of Disputed Claims Once Allowed.** On each Distribution Date, the Liquidation Agent will make all Distributions on account of any Disputed Administrative Expense or Disputed Claim that became an Allowed Administrative Expense or Disputed Claim since the previous Distribution Date. Such distributions will be made pursuant to the provisions of the Plan governing the applicable Class. Holders of a Disputed Administrative Expense or Claim in Reserve Classes that ultimately are allowed will also be entitled to receive, on the basis of the amount ultimately allowed, the net amount of a Pro Rata share of the Cash Investment Yield from the investment of any cash in the General Distribution Account from the Effective Date or, with respect to net cash proceeds generated after the Effective Date from property held in the General Distribution Account, the date that such cash was invested after the Effective Date to the date that such Distributions are made from the General Distribution Account.

ARTICLE XI

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. **Conditions to Confirmation.** Confirmation of the Plan is subject to satisfaction of each of the following conditions or waiver by the Plan Proponents pursuant to Section C:

1. The Confirmation Order shall be reasonably acceptable in form and substance to the Plan Proponents.

2. The Confirmation Order shall authorize the Debtor, the Liquidating Debtor, the Liquidation Agent, PNC Bank and the Committee to take all actions necessary or appropriate to implement the Plan.

B. **Condition to Effective Date.** The Effective Date will not occur and the Plan will not be consummated unless and until the Confirmation Order shall have become a Final Order.

C. **Waiver of Conditions to Confirmation or Effective Date.** The conditions to Confirmation and the Effective Date set forth in Sections A and B may be waived in whole or part by the mutual agreement of the Plan Proponents at any time without an order of the Bankruptcy Court, and if no agreement can be reached, upon entry of an order by the Bankruptcy Court. The failure to satisfy or waive a condition may be asserted by the Plan Proponents regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Plan Proponents).

D. Effect of Nonoccurrence of Condition to Effective Date. The condition to the Effective Date must be satisfied or duly waived by the Plan Proponents in accordance with Section C within 60 days after the Confirmation Date, or by such later date, after notice and a hearing, as is proposed by the Plan Proponents. If the condition to the Effective Date has not been satisfied or duly waived pursuant to Section C by such date, then upon motion by any of the Plan Proponents made before the time that the condition has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the filing of such motion, the Confirmation Order may not be vacated if the condition to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section, the Plan will be null and void in all respects and nothing contained in the Plan will: (1) constitute a waiver or release of any Claims by or against the Debtor or (2) prejudice in any manner the rights of the Debtor or any other party in interest.

ARTICLE XII

CONFIRMABILITY AND SEVERABILITY OF PLAN AND CRAMDOWN

A. Confirmability and Severability of a Plan. The Plan Proponents reserve the right to modify or to revoke or withdraw the Plan pursuant to Article XIV. A determination by the Bankruptcy Court that the Plan, as it applies to the Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect the Debtor's ability to modify the Plan to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code.

B. Cramdown. The Plan Proponents request Confirmation under section 1129(b) of the Bankruptcy Code with respect to any impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Plan Proponents reserve the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE XIII

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain such jurisdiction over the Chapter 11 Case after the Effective Date as is legally permissible, including jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Expense and the resolution of any objections to the allowance or priority of any Administrative Expense or Claim;
2. Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

3. Resolve any matters related to the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which the Debtor is a party or with respect to which the Debtor or Liquidating Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom, including the amount of such Claims;

4. Ensure that distributions under the Plan are accomplished pursuant to the provisions of the Plan;

5. Hear, decide, resolve and/or enter final orders or judgments respecting any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications, that may be brought, commenced and/or filed by the Liquidating Debtor and/or the Liquidation Agent to enforce, realize upon, prosecute, collect, and/or liquidate any Distributable Assets or with respect to any Estate Assets, including any of the foregoing involving the Debtor that may be pending on the Effective Date;

6. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

7. Resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant thereto, or any entity's rights arising from or obligations incurred in connection with such documents;

8. Modify the Plan before or after the Effective Date, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Liquidating Plan Term Sheet, the Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

9. Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation, implementation, or enforcement of the Plan, or the Confirmation Order;

10. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated or distributions pursuant to the Plan are enjoined or stayed;

11. Determine any other matters that may arise in connection with or that relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order; and

12. Enter a final decree closing the Chapter 11 Case.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

A. Limitation of Liability. The Debtor, the Liquidating Debtor, the Liquidation Agent, the Committee and PNC Bank, and their respective directors, officers, employees and Professionals, acting in such capacity, will neither have nor incur any liability to any entity for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, Confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken in connection with the Plan; provided, however, that the foregoing provisions of this Section will have no effect on the liability of any entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.

B. Modification of the Plan. Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, the Plan Proponents reserve the right to alter, amend, or modify the Plan before its substantial consummation.

C. Revocation of the Plan. The Plan Proponents reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Plan Proponents revoke or withdraw the Plan, or if Confirmation does not occur, then the Plan will be null and void in all respects, and nothing contained in the Plan will: (1) constitute a waiver or release of any claims by or against the Debtor or (2) prejudice in any manner the rights of the Debtor.

D. Severability of Plan Provisions. If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

E. Successors and Assigns. The rights, benefits, and obligations of any entity named or referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of such entity.

F. Service of Documents. Any pleading, notice, or other document required by the Plan or Confirmation Order to be served on or delivered to the Debtor, the Liquidating Debtor, the Liquidation Agent, the Committee or PNC Bank must be sent by overnight delivery service, facsimile transmission, courier service, or messenger to:

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Respectfully submitted,

THE PLAN PROPONENTS

Dated: April 30, 2007

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HOSPITAL ASSOCIATION, Debtor
By: /s/ Joseph Mortellaro, Acting Controller

Counsel:

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