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1	UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK							
2	BOOTHER BIBLICE OF NEW TORK							
		. Chapter 11						
3	IN RE:							
4	SAINT VINCENT'S CATHOLIC	. Case No. 10-11963 (CGM)						
4	MEDICAL CENTERS OF NEW YORK,	. (Jointly Administered)						
5	d/b/a SAINT VINCENT CATHOLIC	C New York, New York . Monday, June 25, 2012						
	MEDICAL CENTERS, et al,							
6								
	Debtors.	. 10:58 a.m.						
7		•						
8								
		OVE COMPROMISE/MOTION FOR ENTRY OF						
9	ORDER PURSUANT TO FED. R. BANKR. P. 9019 APPROVING SETTLEMENT							
1.0	AGREEMENT BETWEEN SAINT VINCENTS CATHOLIC MEDICAL CENTERS OF NEW YORK AND ITS DEBTOR AFFILIATES AND THE NEW YORK STATE							
10		ENT OF LABOR						
11		SECOND AMENDED JOINT CHAPTER 11						
	PLAN; STATEMENT/NOTICE OF PROPOSED ORDER CONFIRMING THE							
12	DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN							
	BEFORE THE HONORABLE CECELIA G. MORRIS CHIEF UNITED STATES BANKRUPTCY JUDGE							
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13 14								
14	CHIEF UNITED STA	ATES BANKRUPTCY JUDGE						
	CHIEF UNITED STA APPEARANCES: For the Debtors: Additional Addit	dam C. Rogoff, Esq.						
14 15	CHIEF UNITED STA APPEARANCES: For the Debtors: Ad P.	dam C. Rogoff, Esq. Bradley O'Neill, Esq.						
14	CHIEF UNITED STA APPEARANCES: For the Debtors: Ad P. An	dam C. Rogoff, Esq.						
14 15	CHIEF UNITED STA APPEARANCES: For the Debtors: Ad P. An Be Gr	dam C. Rogoff, Esq. Bradley O'Neill, Esq. nupama Yerramalli, Esq. enjamin C. Wolf, Esq. regory Gennady Plotko, Esq.						
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1	APPEARANCES: (Continued)				
2	For the U.S. Trustee:	Andrew Velez-Rivera, Esq.			
3		OFFICE OF THE U.S. TRUSTEE U.S. DEPARTMENT OF JUSTICE 33 Whitehall Street, 21st Floor New York, New York 10004			
4					
5	For the Official Committee of Unsecured Creditors:	David H. Botter, Esq. AKIN, GUMP, STRAUSS, HAUER & FELD, LLP One Bryant Park New York, New York 10036			
6					
7					
8		Sarah Link Schultz, Esq. AKIN, GUMP, STRAUSS, HAUER & FELD, LLP 1700 Pacific Avenue, Suite 4100 Dallas, Texas 76201			
10					
11					
12		Ashleigh L. Blaylock, Esq. AKIN, GUMP, STRAUSS, HAUER & FELD, LLP			
13		1333 New Hampshire Avenue NW Washington, D.C. 20036			
14	For NYSNA:	George N. Bara, Esq.			
15		LAW OFFICES OF AVRUM J. ROSEN 38 New Street			
16		Huntington, New York 11743			
17	For 1199 SEIU and 1199 Funds:	Laureve D. Blackstone, Esq.			
18		LEVY RATNER, P.C. 80 Eighth Avenue, 8th Floor			
19		New York, New York 10011			
20	For the Med-Mal Trust:	Dana S. Katz, Esq. COOLEY, LLP			
21		1114 Avenue of the Americas New York, New York 10036			
22					
23					
24					
25					

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(Proceedings commence at 10:58 a.m.)
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            THE COURT: Good morning.
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            COUNSEL: Good morning. Good morning.
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            THE COURT: This is Case 10-11963, Saint Vincents
4
   Catholic Medical Centers of New York.
5
            State your name and affiliation.
6
            MR. ROGOFF: Good morning, Your Honor. Adam Rogoff,
7
   Kramer Levin, on behalf of the debtor.
8
            MR. O'NEILL: Your Honor, Brad O'Neill, also on behalf
9
   of the debtor.
10
            MS. YERRAMALLI: Good morning, Your Honor. Anu
11
   Yerramalli of Kramer Levin, on behalf of the debtors.
12
            MR. BOTTER: Good morning, Your Honor. David Botter,
13
   Sarah Schultz, and Ashleigh Blaylock of Akin, Gump, Strauss,
   Hauer & Feld, on behalf of the Official Committee of Unsecured
15
   Creditors.
16
            THE COURT: Anyone else? Yes.
17
            MS. BLACKSTONE: Good morning, Your Honor. Laureve
18
   Blackstone, 1199 SEIU and 1199 Funds.
19
            THE COURT: You need to come closer to a microphone,
20
   please.
21
            MS. KATZ: Good morning, Your Honor. Dana Katz of
22
23
   Cooley, on behalf of the med-mal trust monitor.
            MR. BARA: Good morning, Your Honor. The Law Offices
24
   of Avrum J. Rosen, by George Bara, counsel for New York State
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Nurses Association.

THE COURT: Anyone else wish to be on the record?

(No verbal response.)

THE COURT: Very good.

Mr. Rogoff, I believe it's your day today.

MR. ROGOFF: I think actually it's a day that is reflective of a tremendous amount of work put in by many different parties. But I am happy to start off this morning, Your Honor.

Also, before I start, I would just like to note that present in the courtroom today, Mr. Mark Toney, who has been the Chief Restructuring Officer for Saint Vincents; and Mr. Steven Korf who is the Chief Financial Officer of Saint Vincents. And as we'll discuss later on this morning, Mr. Korf is going to be acting as the responsible officer with respect to the post-effective-date SVCMC.

There are a number of other parties or people in the courtroom today who are here to help observe and really celebrate what we hope will -- what we hope will be a successful confirmation of a long process that many people, including those in this courtroom today, have worked hard to achieve.

I thought what we would do in terms of this morning's activities, following the agenda, Ms. Yerramalli would start off by just running through the omnibus claims objection

process.

The next substantive matter we have following that is the approval of a settlement with the New York State Department of Law -- Labor, relating to unemployment insurance, which is a separate settlement than the settlement with the New York State Department of Labor, which is built into and a part of the plan.

THE COURT: Okay.

MR. ROGOFF: The settlement that's in the plan relates to the settlement of claims under the state WARN Act, but the settlement that Mr. O'Neill will be addressing related to a separate claim that had not been resolved at the time that the settlement in the plan had been agreed to. But we have been fortunate enough to settle the issue concerning unemployment insurance separately, and that has been scheduled for this morning. So we would hear that settlement prior to then moving on to the approval for the plan and confirmation of the debtors' Chapter 11 plan.

THE COURT: Sounds good.

MR. ROGOFF: So with that, Your Honor, I will turn the podium over to my colleague.

THE COURT: Ms. Yerramalli.

MS. YERRAMALLI: Thank you.

Good morning, Your Honor. Anu Yerramalli for the debtors. The first matter --

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THE COURT:
                    Just so everyone knows, there was a
meeting of only women in this case a couple -- last week.
    (Laughter.)
         THE COURT: None of you men came.
    (Laughter.)
         THE COURT: So here we go.
         MS. YERRAMALLI: The first matter on today's calendar
is the thirty-fourth omnibus objection, which addressed
improperly classified claims; claims that didn't match the
debtors' books and records and insufficient documentation.
These claims all were filed in advance of the administrative
bar date that just passed. And in order to proceed to
confirmation and properly reserve for administrative claims,
the debtors objected to all of the claims.
         We did not receive any responses or objections --
         THE COURT: And they had proper notice.
         MS. YERRAMALLI: Yes, Your Honor.
         THE COURT: Very good.
         MS. YERRAMALLI: So we will -- we'll submit an order.
         THE COURT: Does anyone wish to be heard?
    (No verbal response.)
         THE COURT: Having heard no objections, you submit an
order for this.
         MS. YERRAMALLI: Thank you, Your Honor.
         THE COURT:
                     Thank you.
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MR. O'NEILL: Good morning, Your Honor. Brad O'Neill on behalf of the debtors.

This settlement with the DOL concerning unemployment insurance is -- I guess it's a little confusing, given the chronology of the case. It was the last of the major settlements that we actually arrived at, although it's not the last one that's going to be presented to you because there's a whole bunch of other ones that are going to be presented to you today.

THE COURT: Okay.

MR. O'NEILL: The debtors paid or were responsible for the payment of unemployment insurance in two ways: There's the traditional way, which is observed by most corporate entities, which is paying a percentage of your overall payroll. For nonprofits, there's a separate way, which amounts to reimbursement. The government advances unemployment payments to people who are eligible for them, and then sends a statement to the company to be reimbursed for those expenses.

With respect to the second method, the reimbursement method, the Department of Labor filed a claim for approximately \$9.3 million. Originally, the amount was lower, but it was eventually raised to \$9.3 million. And the issue between the parties was: What was the proper priority of that payment?

There is no dispute with respect to the traditional method of paying unemployment -- unemployment payments; that

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they are priority taxes. However --
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            THE COURT: In the reimbursement method?
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            MR. O'NEILL: No.
                                In the contribution method.
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            THE COURT: Okay.
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            MR. O'NEILL: I'm sorry.
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            With respect to the reimbursement method, there is a
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   division of authority about whether -- over the priority of the
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   payments, with about half the cases finding that the -- under
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   the reimbursement method, that the payments are not entitled to
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   priority, but are simply just general unsecured claims; and
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   other cases finding that they are, in fact, priority taxes.
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   And that was the guts of the dispute here.
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            In the debtors' view, the case law from the higher
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   courts, the Circuit Courts, held that the payments were not
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   entitled to priority. But there were some lower court
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   decisions that cut the other way.
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            THE COURT: Tell me what circuits. Do you remember?
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            MR. O'NEILL: The First --
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            THE COURT: Okay.
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            MR. O'NEILL: -- Third and Sixth Circuit BAP.
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            THE COURT: Okay.
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            MR. O'NEILL: And there was -- there are bankruptcy
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   court decisions that cut the other way, including a bankruptcy
   court decision from the Northern District of New York.
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As a result, the debtor thought it had the better of

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the argument, but couldn't be assured that what was ultimately
a legal issue might be decided the other way, and we entered
into negotiations with the Department of Labor.
negotiations took place over the -- beginning in September of
last year, and have continued through to a settlement that was
just entered into at the beginning of this month.
         The terms of the settlement are, of the approximately
9.3-million-dollar claim, $3 million will be allowed as a
priority tax payment, and the remainder, or approximately $6.3
million, will be allowed as a general unsecured claim.
         In addition, as part of the settlement, we are paying
a stub period of contribution payments which were made by other
entities, or were due from other entities, and allowing them as
an administrative claim. But that's something we've been doing
throughout the course of the case.
                    Okay. So that's nothing new; that's what
         THE COURT:
         MR. O'NEILL: No, that's just administration.
Basically, DOL wanted to wrap everything up in the settlement,
and we were fine with that.
         THE COURT: Does anyone with to be heard?
    (No verbal response.)
         THE COURT: Having heard no objection -- or having
heard nothing, I will enter the order.
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Thank you, Your Honor.

MR. O'NEILL:

THE COURT: Thank you.

(Court confers.)

MR. ROGOFF: So that takes us to the big occasion and event for these cases, which is the confirmation of the debtors' Chapter 11 plan. And as many things in this case have been, it's reflective of two concepts: One, parties working together to achieve a consensual outcome; and two, there being a lot of hard work, and it being complicated.

And I don't mean "hard work" just to get to the consensus because, as we'll talk about, the negotiations that underlie the settlements and underlie the plan were extensive negotiations to bring people together on a structure that makes sense, but it's also just complicated.

We have multiple, independent settlements with some of our largest creditors in these cases. We have an intercompany settlement that was negotiated with the creditors' committee.

And all of those settlements, without which we don't think we could stand here today and move forward on a joint Chapter 11 plan that has these estates administratively insolvent, an issue which has, from time to time, not always been certain.

So the point is, as I go through this this morning, it is -- on the one hand, we have no objections, we have the overwhelming votes in support of the plan. But the structure that the parties worked together to put this into such a position has a tremendous amount of detail and background.

This morning, Your Honor, we will take our cues, in some respects, from the Court. We have filed declarations in support of the plan; and in particular, a declaration of Mr. Steven Korf, the debtors' chief --

THE COURT: Which I received this morning.

MR. ROGOFF: Right. Chief Financial Officer, who is in the courtroom today. We filed a brief, which extensively lays out the debtors' belief that it has complied with each of the elements of confirmation, as well as to support the various settlements. So we think that there is a rather fulsome record that has been filed with the Court, but we are prepared this morning to go through the key elements of the settlements and the key elements of confirmation.

THE COURT: I think you should. I have read the summary. I think it's remarkable. I've read almost all the documents, but really the summary.

I also think that it would be nice if we did have a record of what happened here. I -- you know, we're burying something since 1849, and I think we need a little bit of ceremony.

MR. ROGOFF: I appreciate that, Your Honor.

And in fact, if I may approach the bench, we took the -- bench, we took the liberty of putting together a chart, just for following along this morning, and we have copies for people in the courtroom. And what the chart does, if -- with Your

Honor's --1 THE COURT: Certainly. 2 MR. ROGOFF: -- permission --3 Please. THE COURT: 4 MR. ROGOFF: -- is --5 THE COURT: Thank you. 6 MR. ROGOFF: -- it lays out the different requirements 7 of confirmation under 1129, which is what's on the left column. 8 And then on the right column, we've identified how we believe 9 we've satisfied it. And then specifically for Your Honor's 10 reference, we have identified where the legal support is 11 contained in our confirmation brief, where the factual support 12 is contained in Mr. Korf's declaration, and where there has 13 been an appropriate inclusion to that finding in the conformation order that's been proposed to the Court. So when 15 I get to it this morning, we thought this would be a useful 16 guideline, so that in one place you'll be able to see, not only 17 the elements of 1129 of the Bankruptcy Code and how they've 18 been satisfied, but also where in particular in the various 19 pleadings that we filed you'll find that support. 20 But I'd like to -- a couple of things: 21 Number one, Mr. Eckstein, my partner, has 22 23 unfortunately been called to a different courtroom this morning and is not able to be here. And I know that he shares the same 24

gratitude for the various parties and the cooperation in this

25

case, and would like to express that. I'd like to express it on his behalf for Your Honor.

I thought the structure I would use this morning is a little bit of background. Then I would talk specifically about the settlements because they are key to the Chapter 11 plan. Then I would go through a general discussion of the plan structure. Then I would come to the actual elements of 1129 and how they have been satisfied, which is the chart that I've just presented to Your Honor, and we have copies in the courtroom. And then just deal with some miscellaneous aspects relating to the confirmation process.

But before I start, if I can, I want to just say thank you. I think there are a number of people who have worked very hard over the last two-plus years to get to today, and I'd like to just take a moment of appreciation for that.

First, thank you to the Court and chambers and the Clerk's Office and staff in your patience, in your ease of access, and helping us guide these cases through to what we believe is a successful conclusion. A very important part of any Chapter 11 case or any bankruptcy case is being able to work closely with the Court and satisfy the Court that the case is moving in the right direction. Your Honor has been incredibly patient with the parties in allowing us to do that.

Next, I want to thank the management team at Saint Vincents, as well as the management team at Grant Thornton, who

have worked tirelessly behind the scenes to help move these cases forward. You don't see them that often in court, although Mr. Toney and Mr. Korf and members of his team are here today. But we couldn't, on the company side, have done the things that we've done and reached the agreements and had the successful conclusions on the transactions without the dedication of Mr. Toney, Mr. Korf, and their staff; as well as the dedicated employees of Saint Vincents, who were there not only at the beginning of the case to assist in patient care and assist in the administration of these cases, but who have worked with us since the cases were commenced, and a number of which are still employed today. The employees; the former employees, the current employees, have been the lifeblood. Your Honor hears that expression. But they have also been the heart and the soul of Saint Vincents.

I'd also like to thank our board of directors, comprised of volunteers, who not only came into the Chapter 11 cases focused on the charitable mission of Saint Vincents, but I think have done a good job of trying to balance that charitable mission and the focus on patient care, with trying to come up with a maximized value and a structure that would be beneficial to our creditors.

And we've talked over the last couple of years how these cases are different than a commercial, for-profit Chapter 11 enterprise, because we need to be respectful of the

charitable mission. At the same time, we need to be working towards trying to maximize a recovery for creditors. And it is not an easy task to do at times, but I think everybody has worked to do that, and our board has been very helpful in particularly focusing on that shift that comes from a corporation, a company's perspective when it's in Chapter 11.

Special appreciation to our sponsors, and in particular the Sisters of Charity. Your Honor noted the hospital dates back to 1849. It was founded by the Sisters of Charity. The Sisters of Charity, and two sisters in particular, Sister Carol and Sister Jane, have agreed to stay on as the members of the post-effective-date SVCMC. Their guidance, their spiritual guidance, but also their practical guidance, as well, during these cases has been remarkably inspiring. And I didn't think that, at this stage in my life, I'd be taking direction from nuns, but I have been. And I don't say that just to hedge my bets as I get older in life. But they have been remarkable in helping give guidance for the institution.

I'm almost done with the thank you's, but I think this is important to recognize, that today is really the result of many people, of which I am just a spokesperson for, for one of them.

We'd like to thank the State of New York, and in particular the Department of Health and related agencies, for

their oversight, not only in the orderly closure of the Manhattan Hospital, but also, importantly, in the transition of numerous patient care services as a going concern to third parties and new sponsors. We could not have done this process without the cooperation of the state. I'm not even saying it from a regulatory perspective, but just as a practical perspective. The state has worked with us to expedite approvals, where doing so would help maximize value for creditors. That has been a process that has been carefully — and a relationship that has been developed by Mr. Toney and his team, and we appreciate the state in working closely with everybody.

And last, but by no means least, we wouldn't be here today without the cooperation of our creditors. And that includes our -- as I mentioned earlier, our current and former employees and our other major creditors, whether it's our DIP lenders, GE Capital, TD Bank, the med-mal trust monitor and the trustees, the individual members of the creditors' committee who have devoted themselves to being responsive and responsible to moving these cases forward, both the patient care the privacy ombudsman that Your Honor appointed; the unions, not only as members of the committee, but 1199 SEIU, NYSNA, their funds, who have been very helpful in moving us towards the key settlements in this case, the PBGC, and the Department of Labor, in terms of our main creditor settling parties.

Both these creditors and their counsel have been vigilant in working with us at all points to try to come up with, not necessarily the path of least resistance, but the path of the most favorable outcome that we thought we could achieve, including working to compromise issues, as we'll talk about this morning, where to do so provided certainty, and we think helped maximize recovery.

So with that, I just wanted to express appreciation.

I know later on this morning Mr. Toney would like to address the Court himself on his appreciations, but I thought it was helpful to start off with that.

So if I can move into some substance this morning, we all know the background of Saint Vincents, one of the oldest hospitals in New York City; as of the time of the filing, the last remaining Catholic-sponsored hospital organization. Not only did it have acute patients at the Manhattan campus in the lower West Village of New York, but also had a complex behavioral health facility, skilled nursing facilities, continuing care facilities, a hospice, home health agencies, and a number of clinics throughout the New York City area. And the debtors also operate, and the post-effective-date SVCMC will continue to operate a military health plan, serving active-duty dependents, retirees, and their families.

The case has shown not only the unfortunate closure of the Manhattan hospital, but as -- in connection with that

process, a tremendous amount of effort that was done to preserve patient care through transfer of clinics and through services, and not simply sales of going concern businesses. Your Honor knows that we've sold our individual nursing homes and our home health agencies. But there was also a tremendous amount of work that was done during these cases to assist in the transfer of practice groups, to assist in the preservation and the transfer of research grants and other funding grants that were associated with individual physicians, to allow for those to be preserved and transferred to new hospitals and new healthcare providers in the community. These were, we think, important towards Saint Vincents' mission, although not necessarily focused on a sale of an asset that generated value.

But we look at the legacy of these cases, and it's important to remember that everybody worked towards trying to preserve patient care, where we were able to do so, realizing of course that the patient care, which was the hospital itself, unfortunately could not have been preserved.

We did -- we talked about the complexity of these cases. We weren't given the easy way out. We didn't have one large sale that we did with a new sponsor, who took all of our assets that were going to be continuing. Instead, we had many individual sale and marketing processes that had to have been overseen by the parties. And that was deliberately done to try to meet the two goals in the case, which is: What was best for

the patients, and also what we thought would help maximize the value for creditors. And as this case, we think, shows, the transitions and the transactions on individual bases we think gave far more value for creditors than simply trying to do one giant sale to a new sponsor.

And in fact, as Your Honor, I think, recalls, we've generated over a half a billion dollars of asset sale recoveries in this case that were used to pay down the secured debt, and also, by virtue of the settlements and the plan, will allow for the administrative solvency of these cases. That's a very large number, we feel, particularly for assets that are otherwise viewed as distressed healthcare assets.

So with respect to the settlements themselves, there are two types of settlements that we have. We have the individual creditor settlements, which were done with what we call the "creditor settlement parties;" that's 1199 SEIU and their fund, the PBGC, NYSNA, DOL, and the med-mal trust monitor. And the sum of these settlements involves over \$875 million, plus unliquidated amounts that are being resolved in claims that include some of our largest asserted secured claims, administrative claims, priority claims, and general unsecured claims.

Independent of that settlement, we also have the intercompany settlement that was negotiated by the debtors with the committee, but was also acknowledged and supported by the

individual creditor settlements. So everything, while they're separate, sort of ties together to come up with the structure that we have.

In terms of some key dates, just to keep the record focused, on April 27th of this year, we filed our initial plan and disclosure statement.

On May 21st of this year, Your Honor entered the order approving the disclosure statement.

The solicitation packages were mailed out in accordance with that order on May 25th of this year.

And notice of confirmation hearing was published on May 24th in the $\underline{\text{New York Times}}$ and the $\underline{\text{New York Post}}$.

The debtors filed plan supplements, in accordance with the process in the plan, on May 17th, June 13th, June 14th, and June 21st.

These plan supplements did things like identify the responsible officer, who is Mr. Steve Korf; identify the liquidating trustee, who is Mr. Eugene Davis. They contained the creditor settlement agreements themselves. They contained the identity of the post-effective-date creditors' committee, the members of which are NYSNA, the med-mal trust monitor, and Siemens. They contain the initial operating budget and the initial liquidating budget. They contain the form of the liquidating trust agreement. They contain three amendments to the med-mal trust agreements, which was part of our settlement

with the med-mal trust monitor.

And they contain a summary and restatement of the Manhattan and Westchester tail settlements, which Your Honor may recall, the tail settlements, while approved by the Court a while ago, are actually being implemented pursuant to the plan today.

Still to come will be the schedule of assumed contracts, which will be filed on or before the effective date, as the parties continue to go through that one final time.

And we also filed a declaration, a voting declaration from Epiq, which was our voting and tabulation agent, which was filed on June 18th.

And last, but not least, as referred to earlier, we filed a confirmation brief on June 21st, and the declaration of Mr. Korf in support of confirmation on June 22nd.

With that background, I would like to now talk specifically about the settlements and focus on the settlements and why we think they are appropriate to be approved under Bankruptcy Rule 9019, as well as Section 1123, for the plan. And I'd like to start out first with the intercompany settlement, Your Honor.

The intercompany settlement, as I've noted, as all the settlements, are an essential part of the plan. They settle a number of secured, administrative, priority, unsecured claims that arise between the parties. And the intercompany

settlement itself resolves claims concerning allocation of asset proceeds among the various estates and potentially significant intercompany claims, both pre- and post-petition, for allocation of overhead reimbursement contribution. Two examples of that, if I may, Your Honor.

The Court will recall that, in connection with the sale of the St. Elizabeth Ann nursing home, that that consisted of several transactions: It consisted of the sale of the SEA nursing home, which was and is a discrete nursing home owned by the Saint Elizabeth Ann entity on property that was owned by that entity. But it also operated seventy-two neurological behavioral beds that were located and are located on the Bayley Seton campus, which are -- which is owned by SVCMC.

The process of marketing those assets, which existed on the property of two separate debtors -- you had SEA owning and operating the nursing home and the behavioral health beds, but you had the beds themselves, which were very valuable, sitting on SVCMC's property on Bayley Seton, and there was a ground lease that was in effect and an intercompany lease that was in effect for those operations.

And one of the issues that we spent time negotiating with the creditors was, if we were forced to litigate on a separate estate basis, how would we allocate what value was received from the transaction, from the sale transaction, how would we allocate that value to the SEA estate, and how would

we allocate value to the SVCMC estate; and would it be a positive value or a negative value. And different parties had different views that, you know, had a spectrum of what the results would be. This was important, it is important because this is a tangible dispute over the allocation of the value of asset sale proceeds; the proceeds of which are being distributed and needed to be distributed, in our view, pursuant to a plan.

So what the intercompany settlement does, is it allows for a process to ensure that, in lieu of a factual-intensive protracted litigation that could be subject to appeals, that would tie these estates up for an indefinite period of time, the parties have come together as a part of the intercompany settlement and agreed to allocate value that allowed for the administrative solvency of each estate, to make sure that we are paying our admin claims, to make sure that we're paying their priority claims; and to allow for a pro rata pool to be created, so that all general unsecured creditors would have an opportunity to receive a distribution. That is a function of the intercompany settlement, which resolved issues like, what do we do with Bayley Seton and the seventy-two neuro beds.

There's another example, as well, dealing with, for example, when the Bishop Mugavero nursing home was sold at the beginning of the case, and the proceeds were used to pay down the secured indebtedness and the DIP indebtedness of our senior

secured lenders, resulting in no net proceeds available after payment of the secured debt for the benefit of that estate.

But as -- which would have left litigation claims over whether or not there should be contribution, reimbursement, and interstate allocation claims.

Again, an example like that is something that has been settled by virtue of the intercompany settlement to at least allow for administrative solvency, the payment of priority claims, and an opportunity for recovery for the general unsecured creditors of each estate.

So, of the various things that we're going to talk about this morning that deal more specifically with individual creditor-settling parties, this was an overriding intercompany settlement that was negotiated with the creditors' committee and endorsed by incorporation into each of the individual creditor settlement agreements.

Looking at the individual creditor settlement agreements, I identified early who the parties were. I had mentioned that we're dealing with over \$875 million of liquidated asserted claims, plus unliquidated amounts. These are very substantial, in terms of what has been compromised by agreement to allow for the plan today.

The first settlement I'd like to discuss is the settlement with the PBGC. The PBGC asserted claims in excess of \$515 million against each of the control group members,

which, importantly, include not only the debtors, but certain non-debtor affiliates, such as, we've talked in the past QUILL, which is the non-debtors affiliate insurance company.

Their claims are based upon a variety of different arguments; statutory, contractual, and other bases, which we have laid out in our papers.

Under the settlement that we have, which we're asking the Court to approve today under the plan, the PBGC would receive an allowed cash settlement claim of forty-one and a half million dollars. On the effective date of the plan, they would receive a cash payment of thirty-seven and a half million dollars. And then the balance of that claim, the debtors -- the estate has the option under the plan, within six months after the effective date, has the option of either paying the balance of that claim in 4 million of cash or utilizing the Westchester promissory note and delivering that to the PBGC in settlement of the cash obligation.

And how all these things tie together? Your Honor will recall that we had a hearing as a part of the disclosure statement approval process, asking the Court to approve the Westchester settlement that we negotiated. That settlement freed up, for the benefit of the estate, the six-million-dollar promissory note. And that was one of the reasons why we wanted to have that settlement approved at that time; is so that, as we stand here today, the note belongs to the estate

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unencumbered by the claims, competing claims of any of the
parties, to the Westchester allocation dispute. And it gives
the estate the ability to choose whether to pay the $4 million
of cash to the PBGC or to deliver the promissory note. So all
of these things kind of tied together.
         THE COURT: Does anyone wish to be heard on the PBGC
settlement?
    (No verbal response.)
                    Having heard none, I will approve that.
         MR. ROGOFF: Thank you, Your Honor.
         THE COURT: Are we going to have that as separate
orders, or are they going to be part of the plan?
         MR. ROGOFF: They're all part of the plan.
         THE COURT:
                     Okay.
         MR. ROGOFF: And the confirmation itself --
         THE COURT:
                    But I think we need to ask that on each
one.
     Okay.
         MR. ROGOFF: Okay. And the confirmation order itself
specifically --
         THE COURT:
                    We've heard --
         MR. ROGOFF: -- approves the settlements.
                     -- no objection on that one.
         THE COURT:
         MR. ROGOFF: Right.
         THE COURT:
                     Okay.
         MR. ROGOFF: With that, Your Honor, I'd like to turn
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to the employee settlements that we have, and those are
specifically the settlements with 1199; the 1199 benefits
funds, NYSNA, and the New York State Department of Labor.
         Each of the eleven --
         THE COURT: What about the medical malpractice -- the
med-mal trust monitor?
         MR. ROGOFF: I'm going to deal with that separately.
We --
         THE COURT:
                    Okay.
         MR. ROGOFF: In our parlance, we don't view that as an
employee settlement --
         THE COURT: I just saw it in the thing.
         MR. ROGOFF: -- but it is -- it is -- I think --
         THE COURT: It's in Paragraph 6 --
         MR. ROGOFF: Yeah.
         THE COURT: -- of your --
         MR. ROGOFF: It's the last of the settlements that I'm
going to come to this morning --
         THE COURT: Okay. That's fine.
         MR. ROGOFF: -- before turning to the --
         THE COURT: Go right ahead.
         MR. ROGOFF: -- to the plan.
         So with respect to our settlements with our employees,
each of 1199 SEIU and NYSNA filed claims pursuant to our
collective bargaining agreements for, among other things,
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unpaid wages, claims for PTO or paid time off, severance, or pending grievances and arbitrations, as well as claims under the federal and state WARN Act.

1199's claim, I believe, was largely unliquidated.

And NYSNA's claim, in addition to containing an unliquidated request, did have a request for 24 million, approximately.

Separate and apart from the claims filed by the unions, we had the forty-eight-million-dollar claim that was filed by New York State Department of Labor under the state WARN Act. Your Honor will recall, earlier in this case, we received some assistance in being able to determine that that claim needed to be resolved as a part of the Chapter 11 cases, and not through an administrative proceeding. And I'm pleased to say that, as I stand here today, that's exactly what the result was, which was a consensual resolution as a part of the Chapter 11 cases.

With respect to 1199, if I can now go through the sum of the various settlements. And let me just note for the record, I'm going to give rounded amounts; I'm not going to go to the specific dollar amount. But this is just to give Your Honor a sense of the settlements.

With respect to 1199 SEIU, they are receiving an allowed administrative expense claim in excess of \$2 million, to be paid in connection with the effective date of the plan; an allowed priority claim amount in excess of \$3.6 million,

also to be paid in connection with the effectiveness of the plan.

There is a process that we've worked out, by the way, with each of the unions, where notice was provided to their respective members of what their individual allocations would be. And to the extent that -- with respect to PTO and wages, if there are any issues, the debtors are working with the unions to reconcile any reactions from the union members, which is all a part of the process that the settlements contemplate.

Going back to the SEIU, 1199 SEIU settlement, they'll receive an allowed general unsecured claim in the aggregate amount of \$7.9 million. Again, these are all approximate amounts.

With respect to NYSNA, its allowed claims under the plan will be an allowed administrative expense claim in the amount of \$1.8 million, an allowed priority claim in the amount of \$2.8 million, and an allowed general unsecured claim in the amount of \$8.2 million.

I believe I said the priority payment --

THE COURT: You just repeated it.

MR. ROGOFF: -- would be \$2.8 million. I apologize.

I juxtaposed those numbers. I suppose they would like that,

23 but unfortunately, the settlement is governed.

With respect to the New York State Department of Labor, it will receive an allowed cash settlement claim of \$2.2

million, and an allowed general unsecured claim of \$8.6 million.

These claims are in full and final satisfaction of the obligations owing under the CBAs, and resolve any claims asserted by individual employees on the same bases and, importantly, help resolve thousands of individual claims that were filed by employees in these cases, which claims are now being resolved by the settlement.

THE COURT: Does anyone wish to be heard on the employment claims? In particular, the 1199 SEIU, the New York State Nurses Association, and the New York State Department of Labor.

(No verbal response.)

THE COURT: I have heard no objection.

MR. ROGOFF: Thank you, Your Honor.

With respect to the benefit fund claims of 1199, which are separate than the settlement we have with 1199 SEIU, the benefit funds asserted claims of approximately \$119 million as administrative, priority, and general unsecured claims under the CBAs, ERISA, and Multi-Employer Pension Plan Amendment Act of 1980.

And as a result of our settlements, the 1199 fund will have an administrative expense claim of approximately \$2.4 million, an allowed priority claim of approximately \$4.8 million, and an allowed general unsecured claim of \$55.5

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million, approximately. And as I'll talk about in a moment, we have a subordinated class, which is Class 4 under our plan. They will have a subordinated claim in the amount of approximately \$55.5 million. I'd like to note that, after the filing of the executed settlement agreements, it was determined that there was a scrivener's error in identifying one of the dollar amounts. I think the document says \$55.4 million, rather than \$55.5 million. We will have a corrected copy of that, which we will provide to the Court, and which we will file. But I wanted to note for the record that the correct amount is \$55.5 million, not \$55.4 million. THE COURT: Does anyone wish to be heard on the 1199 administrative expense claim? (No verbal response.) THE COURT: I've heard no objection. MR. ROGOFF: Thank you. Moving on to the last of the settlements before talking about the plan itself, is the settlement that was negotiated with the med-mal trust and the med-mal monitor. Your Honor will recall that they filed claims in these cases in excess of \$120 million, asserted as priority claims. As a result of, and in connection with the settlement that was negotiated on the allocation of proceeds from the

Saint Vincents Westchester sale transaction, we have an

agreement that was reached with the med-mal trust monitor that eighteen percent of the proceeds to be received by Saint Vincents of its share of the settlement that was previously approved by the Court with Sun Life, that eighteen percent of the proceeds to be received by Saint Vincents would be paid to the med-mal trust and the med-mal monitor. And that amount is approximately \$1.92 million.

In addition, there is an allocation of certain proceeds that would be received by Saint Vincents from a Reliance Insurance Company claim relating to a specific pending action. And the result, once we reduce out the amount that the med-mal monitor is receiving as a cash settlement payment, that would leave them with an allowed general unsecured claim of approximately \$113 million. So you have a cash payment, you have a general unsecured claim. We have an allocation of proceeds on a specific insurance claim that's outstanding.

And another element of the settlement, which is useful from Saint Vincents' perspective, is that we are going to continue to be working with the med-mal trust and monitor to resolve med-mal cases that were asserted in the Saint Vincents first bankruptcy case. And there will be a reimbursement to Saint Vincents in this estate for the assistance that's provided in resolving those claims of \$2,000 per claim.

And we do expect, in that regard, that, after the effective date, the post-effective-date SVCMC and the med-mal

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trust monitor are going to coordinate on various late-filed claim motions that are still pending before Your Honor in connection with the first Saint Vincents case, as we move towards the closure of that case, as a result of the structure that we have here. Having now given the overview of the various settlements -- and I don't know if Your Honor --THE COURT: Does anyone wish to be heard on the medmal and the med-mal monitor claims? (No verbal response.) THE COURT: I've heard no one. No objection. MR. ROGOFF: Thank you, Your Honor. So our brief identifies the various Iridium factors; I'm not going to go through them. It does. THE COURT: MR. ROGOFF: But they are the controlling factors that one looks at for whether a settlement is appropriate. We have identified, we think, what each of the legal standards are for a settlement, and why we believe each of the settlements, both the creditor settlements and the intercompany settlement in this case, are appropriate to be approved. THE COURT: Does anyone wish to be heard on the procedural matters or anything under the Iridium factors? We've already asked you about the individual settlements, but

the overall, any objection whatsoever to the settlement.

(No verbal response.)

THE COURT: I have heard none.

MR. ROGOFF: Moving on then, Your Honor. And for those listening in, we are probably about halfway through. We've accomplished the approval of the settlements and the overall structure. And I'd like to talk a little bit about the summary of the plan itself, and then we'll run through the chart that we've provided to Your Honor and in the courtroom on the actual 1129 standards themselves.

The plan has four classes:

Class 1, which is priority non-tax claims

Class 2, which is secured claims, which, in and of itself, is deemed to be a separate subclass for each individual secured creditor.

Class 3, which is general unsecured claims.

And then Class 4, which is the multi-employer pension fun subordinated unsecured claims.

The plan also identifies the governing structure, which was carefully and extensively negotiated with the creditors in this case. And it provides for a two-part structure of governance.

On the effective date, all of the debtors, other than Saint Vincents Catholic Medical Centers, are going to be dissolved and liquidated. And their assets are going to be transferred to a liquidating trust, which will have the

responsibility for liquidating and distributing those assets to creditors.

The assets that are defined as the "operating assets," which are the ones that will remain with the post-effective-date SVCMC, and will not be transferred to the liquidating trust -- and principally, that includes the debtors' ongoing operations concerning its U.S. Family Health Services program, which is its managed-care program under the -- for the military-- that will remain with the post-effective-date SVCMC. Ultimately, the net revenues that are generated from those operations will be transferred to the liquidating trust to provide a source of recovery for general unsecured creditors. But the business itself and the operations of those businesses will continue with the post-effective-date SVCMC.

There is going to be a board of directors for the post-effective-date SVCMC, consisting of three members of the current board of Saint Vincents. And in addition, there's going to be a responsible officer, who I noted earlier is Mr. Korf.

The liquidating trustee for the liquidating trust, I also noted earlier, is Mr. Eugene Davis.

And there will be a post-effective-date creditors' committee, which will not only oversee the work of the liquidating trust and liquidating trustee, but will also coordinate with the post-effective-date SVCMC. And I noted

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earlier who the three members of the post-effective-date
   creditors' committee are going to be.
            So our structure is, you have a liquidating trust with
   respect to all of the assets, other than operating assets, and
   you have a post-effective-date SVCMC with respect to the
   operating assets on a go-forward basis.
            In terms of our voting results, there were two
   impaired classes of claims that were entitled to vote, Classes
   3 and Classes 4, as I'll get to. Each of those classes
   overwhelmingly voted in favor of acceptance of the plan.
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            THE COURT: And you have an affidavit from Epig on
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   that?
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            MR. ROGOFF: We do. We have an affidavit that was
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   filed; I was just about to note that, Your Honor.
            THE COURT:
                        Sorry.
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            MR. ROGOFF: We have an affidavit from Christina Pullo
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   of Epiq, the voting declaration of the results of the voting.
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   She is in the courtroom today. I would like to move her
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   declaration into evidence, as the results of the tabulation.
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            THE COURT: Does anyone wish to be heard on this
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   matter?
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       (No verbal response.)
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            THE COURT:
                        Miss -- what was her name?
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            MR. ROGOFF: Pullo?
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            THE COURT: Ms. Pullo, would you stand, please.
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\begin{array}{c} \text{Pg 38 of 71} \\ \text{Pullo} \text{ - Examination by the Court} \end{array}
   CHRISTINA F. PULLO, WITNESS FOR THE DEBTOR, SWORN.
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    EXAMINATION BY THE COURT:
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        You've put an affidavit in, and you've heard what Mr.
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   Rogoff has said. Are you in agreement with this?
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        Yes.
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   Α
             THE COURT: Does anyone wish to question this witness?
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        (No verbal response.)
7
             THE COURT: Having heard none, I will accept -- you
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   may be seated.
        (Witness excused.)
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             THE COURT: I will accept the voting procedures and
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    the declaration.
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             MR. ROGOFF: Thank you, Your Honor.
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        (Pullo Declaration received in evidence.)
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             MR. ROGOFF: With respect to the plan confirmation
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   requirements, upon the entry of the confirmation order we
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   believe the conditions to confirmation set forth in Section
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    10.1 of the plan will have been satisfied. As I'm going to go
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    through in a moment, the debtor submits that the plan satisfies
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    the requirements under Section 1129, including Sections 1122,
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    1123, 1125, 1126, 1127, and 1129, but I'll go through that with
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   more specificity in a moment.
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             THE COURT:
                          Okay.
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             MR. ROGOFF: And I'd also like to note that we have
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   filed the declaration of Mr. Steve Korf, who is in the
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THE COURT:

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courtroom today, for the evidentiary bases that support
confirmation and the contentions in the confirmation brief.
                                                             As
was does a moment ago with the voting declaration, I would like
to ask Your Honor to move Mr. Korf's declaration into evidence.
         He would testify, if called, as to the veracity --
         THE COURT: Please do.
         MR. ROGOFF: -- of the statements that are in his
declaration. And he is present in the courtroom today, should
anybody wish to cross-examine him.
         THE COURT:
                     Would you stand, please.
STEVEN KORF, WITNESS FOR THE DEBTORS, SWORN.
         THE COURT: State your full name.
         MR. KORF: Steven Robert Korf.
         THE COURT: And your address, please, Mr. Korf.
         MR. KORF:
                    1595-14 North Central Avenue, Valley
Stream, New York, 11580.
EXAMINATION BY THE COURT:
    And you've put your declaration in, and you helped compose
that?
    I did.
Α
   And you've heard Mr. Rogoff and what he's said about your
responsibilities. And do you have anything you wish to add to
that?
    No.
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Does anyone wish to ask ...

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BY THE COURT:
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       And is that true and correct?
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       It is true and correct.
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            THE COURT: Does anyone wish to ask this witness any
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   questions?
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        (No verbal response.)
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            THE COURT: Having heard none, you may be seated.
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            MR. KORF: Thank you.
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        (Witness excused.)
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            THE COURT: I will declare that his declaration is
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   evidence, and it's in the record.
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            MR. ROGOFF: Thank you, Your Honor.
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       (Korf Declaration received in evidence.)
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            MR. ROGOFF: I'd also like to ask Your Honor, if she
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   would be so inclined, to take judicial notice of the various
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   pleadings filed on this Court's docket during the course of the
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   case, as support for the background leading up to confirmation
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   today.
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            THE COURT: Does anyone have any objection for me to
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   take judicial notice of all the pleadings in this case?
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        (No verbal response.)
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            THE COURT: I have heard no objection. I will do so.
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            MR. ROGOFF: Thank you.
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            So at this stage, Your Honor, I'd like to run through
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   the chart that we provided to the Court and provided to parties
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in the courtroom. Again, it's really just a checklist to make sure that we've identified for the record why each of the standards have been satisfied.

The first standard on 1129(a)(1) is the plan's compliance with the applicable provisions of the Bankruptcy Code. These have been interpreted to concern, first, Section 1122, which is classification. And as we note, we have four classes in our plan. And only similar claims are classified together in the four classes.

The next requirement which is looked at is typically Section 1123(a)(1) through (3), which deals with the designation of claims, identifying the impaired nature of claims and the treatment of the classes. And again, our plan designates, identifies as impaired or unimpaired, and specifies the treatment of Classes 3 and 4.

Class 1, which is the priority non-tax claims are unimpaired and receive full distribution of their allowed claims.

Class 2, and each of the sub-classes which are deemed to be within Class 2, are secured claims or unimpaired, and will receive the value of their collateral or the proceeds from the sale of the collateral, after payment of the costs of disposing of and preserving such collateral. And to the extent that there is a deficiency claim, that would be classified as a general unsecured claim in Class 3.

Class 3 is our general unsecured claim class, which is an impaired class, and will receive a distribution under the plan from the proceeds of assets recovered by the liquidating trust and the net revenues from the operating assets. And the present time -- and this is purely an estimate -- but at the present time, we are estimating a distribution to general unsecured creditors in the range of 2.3 percent to 7.5 percent.

THE COURT: That's a long way from completely insolvent.

MR. ROGOFF: This is a long way from what, at times in this case, we thought were administratively insolvent cases, correct, Your Honor.

And the last class we have is the subordinated class; the multi-employers subordinated claims that are impaired, and would only receive a distribution, if and to the extent Class 3 have been paid in full. We think unlikely to receive a distribution in these cases.

Turning to the next standard, which would be 1123(a)(4), which is the equal treatment within classes. The plan provides for the equal treatment of holders of claims within the four classes. There's no discriminatory treatment.

And again, I note under each of these parts of our chart, Your Honor, we have identified where there is support within the brief --

THE COURT: Okay.

MR. ROGOFF: -- where there is support within Mr. Korf's declaration, and where there is a corresponding provision in the proposed confirmation order for ease of reference of the Court and the parties.

Moving on, 1123(a)(5), adequate means for implementation of the plan. Our plan, in Sections 5 and 6, as well as the plan supplements, identify the governance and implementation. These are what I referred to earlier as the "liquidating trust structure," with Mr. Davis, Eugene Davis, serving in that capacity as liquidating trustee, and the post-effective-date SVCMC, which will operate the operating assets, including the USFHP program that will be overseen by Mr. Korf as the responsible officer.

There is a three-member post-effective-date board of directors, consisting of Sister Jane, Mr. Fred Salerno, Mr. Vaughn Williams. They are existing directors of Saint Vincents who have agreed to continue to serve as directors for this new board post-effective-date.

There is a post-effective-date creditors' committee, as we referred to before; the members of which are the med-mal trust monitor, NYSNA, and Siemens.

And there is going to be -- and the plan provides for the post-effective-date SVCMC to be coordinating with the liquidating trustee, and to provide assistance to the liquidating trustee in furtherance of his actions, as may be

required.

And in addition, the plan also works to improve the individual creditor settlement agreements that we referred to earlier.

The next provision which is typically looked at for confirmation, 1123(a)(6), where a debtor is prohibiting from issuing non-voting securities, doesn't apply to our cases. We are not for-profit entities.

The next provision which is looked at is 1123(a)(7), the selection of officers and directors consistent with creditors' interests and public policy. And as noted, Section 5.4, 5.5, and 5.7 of our plan provide for the selection of the responsible officer, the appointment of the new board of directors, after consultation with the post-effective-date members of the post-effective-date SVCMC; those members being Sister Jane and Sister Carol, and in consultation with the post-effective-date committee and the creditors' committee, pre-effective date. Again, it identifies Mr. Korf as the responsible officer and who the board will be. So we think we've satisfied 1123(a)(6) -- or 1123(a)(7).

The next requirement typically looked at is compliance with 1125 of the code. And as I noted earlier today, we did mail solicitation packages out in accordance with the disclosure statement that was approved by Your Honor, and we tabulated the results. And the plan acceptance requirements

are identified by compliance with Section 1126.

In our case, the plan was accepted by over one-half in number, and two-thirds in amount, of both Class 3 creditors, who returned ballots, as well as Class 4. And Your Honor can see from the chart, we had over ninety-seven percent in number and ninety-nine percent in amount of Class 3 accepting, and a hundred percent acceptance for Class 4.

Next, Your Honor, is compliance with Section 1127, which permits a debtor to make technical modifications to a plan after solicitation of votes has started, but prior to confirmation. And we are going to be asking Your Honor today to approve certain technical amendments. We did file a redline version of the plan, identifying those amendments.

And we believe that the amendments are non-material technical changes that do not materially or adversely affect the treatment of any holder of a claim under the plan.

THE COURT: I want to stop you right there.

MR. ROGOFF: Sure.

THE COURT: And does anyone have anything they wish to add about these technical amendments?

(No verbal response.)

THE COURT: I have heard nothing on that. Go ahead.

MR. ROGOFF: Thank you.

The technical amendments dealing with the timing of the filing of the plan supplements:

Some conforming changes that were consistent with the disclosure statement and the liquidating trust agreement on tax treatment.

A modification with respect to employees that are continuing post-effective-date for SVCMC.

A modification that SVCMC will be making the cash settlement payments required on the effective date to be made.

A clarification of the causes of action that are going to be preserved and pursued.

Clarification of the effect of the injunction regarding setoff rights and recoupment rights.

Identifying the additional duties of the posteffective-date SVCMC, with respect to winding down the affairs of its non-debtor affiliates.

Also identifying that the post-effective-date SVCMC and its employees, agents, and professionals are authorized to provide assistance to liquidating trustee in furtherance of his duties under the plan and the liquidating trust agreement.

And there were some technical amendments that were added at the request of Chartis, the insurance company, that resolved some questions they had about the plan, and we've memorialized those in the plan.

That, together with some other minor technical revisions, we believe allow the debtor to be in compliance with Section 1127, as incorporated by Section 1129(a)(2), for

confirmation purposes.

THE COURT: Again, let me just ask. Does anyone have anything they wish to add? Do they want to object to or say anything about the technical amendments?

(No verbal response.)

THE COURT: I have heard no one, Mr. Rogoff.

MR. ROGOFF: Thank you, Your Honor.

The next standard that is looked at is 1129(a)(3), which is the good-faith standard. The plan, we believe, was filed with honesty and good intentions, which is the applicable standard the courts have interpreted when looking at this, with the expectation that the plan can be brought to fruition, and the plan is not in contravention of law.

As Your Honor has seen during the course of these cases and heard this morning, the plan has been the culmination of over a year of good-faith negotiations, arm's length negotiations between many, many parties, whose views have been taken into consideration on the structure of the plan, as well as entering into the various settlements.

The settlements provide for the payment, as we noted, of all administrative and priority claims, and allow for an opportunity for distribution of the general unsecured claims. We think everybody has been working towards that result in good faith. And as a result, the plan complies with 1129(a)(3).

With respect to 1129(a)(4), which is the process for

the Court's approval of professional fees and expenses, Section 2.3(a) of our plan does set forth the process for the payment of compensation claims, which, importantly, have been and remain subject to bankruptcy court approval. So we believe we've satisfied this element of 1129.

I've noted earlier who the post-effective-date responsible officer and the board of the post-effective-date SVCMC would be, so we believe we've complied with 1129(a)(5) on disclosure of post-emergence officers and directors.

1129(a)(6) is simply inapplicable to us. It deals with governmental approval of rate changes.

a moment, just observe that the best interest test in a notfor-profit case is a little more difficult and a little
different than simply applying the best interest test in a forprofit commercial Chapter 11 case. Because we need to be
mindful of the fact that a not-for-profit's ability to dispose
of its assets needs to take into consideration the applicable
provisions of state law, which, as Your Honor has done before
in these cases, would have to take into account the provisions
of the non-profit corporation law, Sections 510 and 511. So
there is an element of approval and process which is different
for a not-profit corporation -- not-for-profit corporation than
for a commercial enterprise in Chapter 11, and has been
recognized can sometimes complicate how one does an analysis

for a best interest test.

Having said that, however, Your Honor, we have the affidavit of Mr. Korf that we believe that the plan meets the best interests of all creditors, and all impaired classes will receive more under the plan than they would receive if the debtors were to be separately liquidated in a Chapter 7 proceedings.

The plan, as I noted earlier, estimates the Class 3 recoveries, would be in a range of potentially 2.3 percent to seven and a half percent. But we believe, in a liquidating scenario, the general unsecured creditors would not receive any distribution in these cases. And so we believe that we satisfy the best interest test by providing for a greater recovery than could be available if we had to have separate liquidations and, as a part of that process, separate litigations over many of the issues that we've noted are being compromised today to allow for the administrative solvency and payment of priority claims in these cases.

Next, Your Honor, is compliance with Section

1129(a)(8), which is the acceptance of the plan by impaired

classes. As noted, all classes are either unimpaired, or those
that are impaired voted overwhelmingly to accept our plan.

The next requirement is 1129(a)(9), which is that the plan complies with the statutory priority requirements. And we believe that we have done so here. The plan does provide for

unsecured creditors.

the payment of administrative priority and unsecured claims, in accordance with the statutory priorities and the code.

Administrative and priority claims will either be paid or reserved, to the extent that there are any disputes under the plan, and thereafter allowing for a distribution to general

Section 1129(a)(10) deals with impaired accepting class. We do have an impaired accepting class in this case; that's both Classes 3 and 4 have accepted the plan. As a result, among other things, we do not have to deal with any cram-down provisions in these cases.

Section 1129(a)(11) deals with feasibility. That has been recognized by the courts in this circuit; that there be a reasonable probability that the provisions of the plan can be successfully implemented and performed and, under those standards, a plan would be feasible.

The debtors' advisors Grant Thornton and the debtors' management estimate that the cash on hand and other proceeds available to the estates will be sufficient to meet the needs of the distributions required under the plan and will allow for the funding of the liquidating and operating budgets. So we do believe that the plan satisfies the feasibility requirement.

The next standard, Your Honor -- and we're almost done with the standards -- is 1129(a)(12), the payment of all fees. And the plan does provide for the payment of all statutory fees

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at the time of confirmation, and the payment of any accrued statutory fees post-effective-date until the closing of these Chapter 11 cases. The next requirement, Your Honor, requires just a little bit of context. And it is dealing with the 1129(a)(13), the payment of retiree benefits. We believe that, with three possible exceptions that the debtors have an agreement to resolve, that the debtors do not have any benefits, retiree benefits, that are covered by Section 1114 of the Bankruptcy Code. There are three individuals -- and we note this in our pleadings --THE COURT: I saw that. MR. ROGOFF: There are three individuals that are receiving certain payments --THE COURT: Right. MR. ROGOFF: -- that may constitute retiree benefits under Section 1114 of the Bankruptcy Code. We believe the issue is going to be rendered moot, because we have agreements in principle with each of the three former employees --This was a cash-out, you were going to --MR. ROGOFF: Yes. THE COURT: Okay. MR. ROGOFF: We have agreements with the three individuals that were reached late last week, and we are in the

process of entering into settlement agreements that we hope

will be done prior to the effective date. 1 Is there any reason to indicate that this 2 THE COURT: will not happen? 3 MR. ROGOFF: We believe it's just a -- we have 4 agreements with the individuals, we've sent letters to them. 5 It's just a function of getting them to sign the letters. We -6 - number one, we're not even saying, as we stand here today, 7 that they are covered by 1114 of the Bankruptcy Code. But even 8 9 if they were, we believe that our agreements with them resolve the issue. 10 What we are contemplating, however -- so this is not 11 an issue for today -- is that we have reserved our right, if 12 necessary, prior to the effective date, to file a motion with 13 Your Honor for authorization to modify or terminate these individual benefits, to the extent that Section 1114 applies 15 and we were unable to finalize our settlements in principle 16 with these individuals. 17 THE COURT: Does anyone wish to be heard on this 18 matter? 19 (No verbal response.) 20 I've heard no one. THE COURT: 21 MR. ROGOFF: Okay. So we think the structure that we 22 have laid forward -- laid out for Your Honor, and have --23 THE COURT: I have --24 MR. ROGOFF: -- put into --25

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            THE COURT: -- read that --
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            MR. ROGOFF: -- the confirmation order.
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            THE COURT: -- in your summary.
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            MR. ROGOFF: Right.
                                  Thank you.
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            Last couple of standards, 1129(a)(14) and (a)(15) are
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   provisions dealing with individuals. We don't believe they are
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   applicable.
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                         Isn't that child support?
            THE COURT:
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            MR. ROGOFF:
                         And ...
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       (Laughter.)
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            MR. ROGOFF: Personally, yes, but on behalf of the
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   debtor, no.
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            And with respect to the last standard, which is
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   applicable, 1129(a)(16), which is a process for transferring
   property of a not-for-profit entity, the plan does contemplate,
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   consistent with what we've done during these Chapter 11 cases
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   for Your Honor's approval, for any transfers in accordance with
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   applicable non-bankruptcy law. And we note again that
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   legislative history does not require the Bankruptcy Court to
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   remand this decision to another court; it just requires the
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   Court to determine that the provisions have been satisfied.
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   And as we've discussed previously in these cases, those
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provisions dovetail with the standard in Section 363 of the

Bankruptcy Code. So believe that we have complied with that

last provision of the Bankruptcy Code.

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That completes the chart --

THE COURT: Right.

MR. ROGOFF: -- which also means that we've completed,

I believe, how we have complied with each of the elements

necessary to be found in support of confirmation of the plan.

I'd like just to note one other quick thing myself, and then I was going to ask Ms. Yerramalli to just briefly address the Court with respect to the tail settlements.

THE COURT: Yeah, and there are two other things I want to hear about, but go ahead.

MR. ROGOFF: But the one thing I had wanted to address, going back to the plan, is the plan does provide for a variety of releases, both by and in favor of the debtors and various parties.

"Releasees" are defined under the plan to include the estates, the debtors, the members of the control group, the responsible officer, the liquidating trustee, the liquidating trust, the DIP lenders and the agents, the med-mal trust monitors, the med-mal trustees, the committee, the post-effective-date committee, the ombudsman, the individual creditor settlement parties. And the assets of the debtors are covered. And lastly, the former and current employees and advisors of the debtors. These all fall within the defined term of who a "releasee" is.

And the plan does contain provisions where the debtor

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is going to be providing releases, the debtor is going to be
getting releases. With respect to the releases provided to the
debtor, there is a carve-out for anything which is gross
negligence or wilful misconduct. It is consistent with the
standard used in this district.
         Your Honor has previously heard reports provided to
the Court about the investigations that were done by the
creditors' committee --
         THE COURT:
                    That was one.
         MR. ROGOFF: -- and the fact that there were, in their
views, no claims that would rise to the level of a breach of a
duty.
                     I want the creditors' committee to address
         THE COURT:
that at some point.
         Does anyone else want to hear anything about the
releases? Do they have any questions about the releases?
think this is something we need to have on the record, about
what your investigation provided.
         MR. BOTTER:
                     Yes.
         THE COURT: Mr. Botter, you can just --
         MR. BOTTER: Your Honor, would you like me to do that
now or --
         THE COURT: Yeah, let's --
         MR. BOTTER: -- when I make --
         THE COURT: -- just do it --
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MR. BOTTER: -- a presentation?
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            THE COURT: -- right now, because I'd like to have the
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   -- oh, well, you're going to do --
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            MR. BOTTER: A very brief presentation. If you'd like
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   me to cover it at the same time, I'm happy to do so.
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            THE COURT:
                         I wish you would cover it right now --
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            MR. BOTTER: Happy to.
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            THE COURT: -- because I want the record to reflect
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   this clearly.
            MR. ROGOFF: I can use a break.
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            THE COURT: Yeah.
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            MR. BOTTER: Good afternoon, Your Honor. David
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   Botter, Akin, Gump, Strauss, Hauer & Feld on behalf of the
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   creditors' committee.
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            And Your Honor, I will save my comments with respect
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   to our affirmative support for confirmation of the plan until
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   the end.
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            Your Honor, we are talking now about the investigation
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   conducted by the creditors' committee as to the appropriate
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   action --
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            THE COURT: And let me just interrupt you right now,
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   because this was a lot of speculation, particularly in the
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   press, and I think that's why I really want you to address
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   this.
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            MR. BOTTER:
                          Sure.
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THE COURT: Thank you.

MR. BOTTER: Your Honor, there was a lot of speculation, both in the press, as Your Honor notes, as well as in this courtroom. Your Honor, at the beginning of these cases, there were a number of allegations and/or accusations made with respect to the propriety of the conduct of parties involved with Saint Vincents, and particularly involved with the management of the hospital and the closing of the hospital. And Your Honor, we had discussed with both Your Honor and the debtors the creditors' committee being the appropriate party to do an investigation to determine whether, in fact, there were improprieties regarding the management and closure of the hospital.

Your Honor, we conducted -- "we," Akin Gump, as well as the creditors' committee's financial advisor -- conducted a fairly in-depth analysis with the assistance of the debtors, in terms of the provision of information. Obviously, the debtors, to the extent that they could have been targets, didn't provide that type of assistance. But obviously, we needed access to information.

We looked at major transactions conducted by the debtors. We looked at the potential for inappropriate transactions with affiliates of the debtors, with the debtors' senior management teams and potential affiliates of those individuals.

We specifically looked at items, as well as events that were identified by parties in these bankruptcy proceedings. If Your Honor recalls, way back when we had a number of accusations made by community groups, or so-called "community groups," in connection with the closure of the hospital.

THE COURT: Right.

MR. BOTTER: We took their pleadings, Your Honor, in addition to our own separate and independent analysis, and looked at the accusations that they had made in their pleadings with respect to specific improprieties that they believed had occurred or might have occurred in connection with the running of the hospital prior to the closure as well as the closure.

Your Honor, at the end of this analysis, as we have told Your Honor before, we found no improprieties whatsoever. Unfortunately, I think the hospital's demise was caused by a number of different elements, many of which relate to the economic environment in which we live, as well as healthcare in the United States and the costs associated with it, as well as the charitable mission of this hospital; and therefore, sometimes it's lack of ability to collect on the services that it provided.

But at the end of the day, Your Honor, we found no specific improprieties, and are satisfied that, in fact, our investigation was a sound one and appropriate. And hopefully,

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Your Honor, that satisfies the record. And if Your Honor has
   any questions, I'm happy to answer them at this point.
            THE COURT: I have no questions because I had -- I had
   -- honestly, I had asked on occasion if there was going to be
   any litigation, and you kept saying you were investigating, and
   I wanted to know the depth of what you did.
            This Court also appreciates that you found other
   pleadings, that you took a look at what everybody was saying
   from rumor and innuendo, to see if you could find any basis for
        So the Court does appreciate that.
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            Does anyone else wish to be heard on this?
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       (No verbal response.)
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            THE COURT: Does anyone have any questions?
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       (No verbal response.)
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            THE COURT:
                         Thank you very much.
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            MR. BOTTER: Thank you, Your Honor.
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            MR. ROGOFF: Your Honor, I thought at this time, it
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   might be useful for Ms. Yerramalli to address the Court on the
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   tail settlements --
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            THE COURT: Certainly.
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            MR. ROGOFF: -- and that process as part of the plan.
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            THE COURT:
                         Thank you.
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            MS. YERRAMALLI: Anu Yerramalli for the debtors.
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            As Mr. Rogoff mentioned earlier, in October of 2010,
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   the debtors entered into a settlement agreement with certain
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former medical professionals at the Manhattan hospital. That resolved significant administrative expense claims that were asserted for the purchase of tail insurance coverage, which the debtors believed would have seriously endangered these Chapter 11 cases.

The settlement agreements called for the creation of a tail fund, provided for the extension of the automatic stay to participants in the tail fund, which was extended periodically throughout the case, and now expires on the effective date, and also required the debtors to seek the -- seek a channeling injunction to be implemented through the plan. In addition, the debtors will be seeking to establish procedures to resolve tail claims after the effective date.

The debtors and the covered staff will be funding the Manhattan tail fund under the plan in the aggregate amount of \$2.6 million.

Thereafter, in the summer of 2011, the debtors entered into a companion settlement agreement with certain professionals at the Westchester Behavioral Health hospital, which resulted in the creation of a tail fund along similar parameters. And that tail fund will be funded in the amount of \$375,000 in aggregate.

Importantly, if there is a shortfall in one of the funds with an excess in the other after the settlement of all applicable tail claims, the excess may be transferred into the

other fund for the benefit of that particular fund's claimants. And ultimately, if there are any remaining funds after the resolution of all tail claims and any costs associated with the administration of those funds, the participants in the estates will receive funds on a pro rata basis.

Under the settlements and the plan, the Manhattan and Westchester cover staff are releasing the debtors for any indemnification claims they may hold against the estates with respect to any tail claims and any administrative expense claims for indemnity.

This release, importantly, does not impact any other claims they may hold for wages or other benefits, and does not release any obligation that an insurance company may have to defend a covered person.

With respect to the channeling injunction, the debtors were required to seek this as part of the plan under the settlement agreements, and the plan does provide that holders of tail claims are enjoined from initiating or prosecuting any action against any person that would entitle such person to an indemnification claim against either SVCMC or the post-effective-date SVCMC; and also provides that any collection or recovery of a tail claim is channeled to the tail funds, and will be paid directly from the Manhattan or Westchester tail fund, as applicable.

The debtors believe that the standards for a

channeling injunction are satisfied because there -- the participants in the tail fund have provided substantial consideration because they've settled the significant administrative claims that could have rendered these estates administratively insolvent; as well as the tail claimants do have a source of recovery for their claims, as opposed to those claims being extinguished. And if these claims were not channeled to the tail fund, there could have been severe repercussions to the estate.

As part of the plan supplement, the debtors filed a summary and restatement of the settlement agreements and the orders previously entered from the Court, so that all of the terms are embodied in one document, and that's being approved as part of the plan settlement.

THE COURT: And this meets the standard in Metromedia
of the Second Circuit?

MS. YERRAMALLI: Yes, it does, Your Honor. The examples that were given in Metromedia were:

"The estates receive substantial consideration, such that the beneficiaries of the injunction substantially contribute to the success of the reorganization.

"The enjoined claims are channeled to a settlement fund, rather than extinguished.

"And the enjoined claims would indirectly impact the debtor's reorganization by way of indemnity or

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contribution; and the plan otherwise provided for the
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            full payment of the enjoined claims, or if the
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            affected creditors consent."
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            THE COURT: Very good.
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            MS. YERRAMALLI: Thank you, Your Honor.
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            THE COURT: Does anyone wish to be heard on this?
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       (No verbal response.)
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            THE COURT: Having heard none, next.
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                         Your Honor, at this point, I believe I've
            MR. ROGOFF:
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   gone through the facts that are relevant for the approval of
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   the settlements, the standards for compliance with
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   confirmation. I do not have anything further affirmative to
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   present to Your Honor. I'm happy to answer any questions or
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   turn the --
            THE COURT: I have none --
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            MR. ROGOFF: -- podium over --
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            THE COURT: -- to ask.
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            MR. ROGOFF: -- to others.
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            THE COURT:
                        But may I just comment -- and we'll talk
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   about other things, but I thought this was well presented.
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   a matter of fact, I've given this to our interns as a model on
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   how you need to present to a judge about your Chapter 11 plan.
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            MR. ROGOFF: Well, thank you, Your Honor, and I -- in
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   terms of my gratitude, I also appreciate everybody in the
   courtroom today listening to me present all this to Your Honor.
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But I know the Court wanted a --

THE COURT: I did.

MR. ROGOFF: -- a comprehensive presentation.

THE COURT: I did.

Mr. Botter.

MR. BOTTER: Your Honor, David -- again, David Botter, Akin Gump, on behalf of the creditors' committee. And Your Honor, I will try to be brief.

Your Honor, every Chapter 11 case goes through cycles. In this case, we started off focusing on the closing of the hospital, the appropriate balancing of patient care with the needs of employees, as well as other creditors to have their claims satisfied, and/or to have their situations addressed.

And Your Honor, you were not the only person who was nervous about administrative insolvency in the case. I would suggest to you that probably everyone in this courtroom was quite nervous. And I think, Your Honor, that it was a herculean task by those who were in this courtroom to reach the point we are at today. And it was a herculean task because we all had to focus on an appropriate exit for an institution here in New York City that had been providing patient care to needy folks for hundreds of years. And we had to focus on people.

You know, we talk, Your Honor, about "creditors" a lot. But in this case, the creditors really were the people who were involved with Saint Vincents.

You talk about the unions, 1199 and NYSNA. Without their efforts, Your Honor, there would have been no Saint Vincents.

You talk about the PBGC. They represent the interests of retired people and people who are getting benefits, or should have continued to get benefits.

You talk about small businesses, like the home healthcare agencies. They were people who were very affected by the demise of Saint Vincents.

You talk about large companies like Siemens. They provided all of the backup services for all of the communications and computerized needs of the hospital itself.

And you talk about the medical malpractice trust.

These are people who were particularly affected by the hospital and the services, and unfortunately sometimes the lack of services that were offered. So, Your Honor, this is all about people.

And I think it's appropriate that we recognize some of the people today in the courtroom, aside from the people that you've seen on a daily basis. Your Honor, the major creditor groups, the ones who -- the people who are responsible for the successful conclusion of these cases are in this courtroom today. Your Honor, they are people who represented the PBGC, Suzanne Kelly, Kelly Cusick, Joel Ruderman. I don't believe all of them are in the courtroom today, but Ms. Kelly is; oh,

and there's Ms. Cusick, as well. 1 Your Honor, the unions, ably represented by the Levy 2 Ratner firm, and particularly by Ms. Hepner. 3 Also NYSNA, represented by the Avrum Rosen firm. 4 don't think Avrum is in the court today. 5 The med-mal folks --6 THE COURT: I'm surprised. I expected him. 7 MR. BOTTER: I did, as well. 8 (Laughter.) 9 MR. BOTTER: And I'm actually sad not to see him, but 10 maybe he's on vacation. 11 The med-mal folks, Mike Katzenstein and the Cooley 12 firm, did an incredible job in these cases. 13 Your Honor, I think we -- obviously, Mr. Rogoff 14 recognized the efforts of Mr. Korf and Mr. Toney. I'd also 15 like to add in Scott Davis, who did an incredible job and 16 continues to do an incredible job. 17 Finally, Your Honor, I think that we would not be here 18 today without the efforts of Mr. Rogoff, Mr. O'Neill, my 19 partner Ms. Schultz, and the truly herculean efforts of Ms. 20 Yerramalli, Mr. Plotko, and Ms. Blaylock. So Your Honor, I 21 thank them, and we -- the success of these cases really is --22 was dependent upon their efforts. 23

And finally, Your Honor, I thank you. And I thank

your law clerk and your staff. Because without you, we really

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would not be here today. So thank you.

I am, on behalf of the creditors' committee, delighted to say that we affirmatively support confirmation of this plan.

THE COURT: Thank you.

MR. BOTTER: Thank you.

THE COURT: Anyone else wish to be heard? Come ahead, if you want to, please.

MR. TONEY: Thank you, Your Honor. Mark Toney, CRO for the debtor. Thank you for allowing me to speak. I won't be as eloquent as Mr. Rogoff or Mr. Botter. But it has been one of those cases that does need to be acknowledged. And thank you for your opening comments of allowing the discussion today about this case.

This case -- in healthcare, many people say, without margin, there is no mission. Well, without mission, there is no purpose for an organization. They go rudderless (sic). And this organization was driven very much by its mission and, for many years, gave and gave and gave to the needy and the community.

THE COURT: Yeah.

MR. TONEY: We use the politically correct terms

"those less fortunate" or "indigents," but I had an employee,
when this -- when this institution was coming to closure, that
basically said to me, who's going to take care of the poor.

And that is the sadness of this case. This case, while it is

now in the legal arms, was also in the community.

And so part of my message is to say thank you to the Sisters of Charity for all the many years that they gave to the community.

Thanks to the board, who did the oversight, supported me and my team throughout this very difficult transition.

I also want to thank Mr. Rogoff, Mr. Eckstein, and his -- their entire team. Without their counsel, without their leadership, and without their support, this would have been a very, very difficult matter to manage through.

To the creditors' committee, I also say thank you; to Mr. Botter and Ms. Schultz, to each of the committee members.

I worked side by side with each of them, as did my team. And while there are many times that we did disagree, we all understood the importance of this case.

This case was about the legal side of maximizing the creditor recovery, but also about how you treat people. And one of the things that I view as a benefit of this case for me personally, because I feel very few professionals have the benefit of cases like this in their career, it changed many — it changed me, it changed the professionals that worked with me, my colleagues and many of the other professionals, because it changed our outlook. It shows that you can follow the letter of the law, but you can also treat people with compassion and dignity in these very, very difficult times.

So I want to close by just saying to you, Your Honor, it's been a pleasure to watch your Solomon-like wisdom throughout this case, the balance that you gave to all of us, and for allowing us to have a closure to this difficult case with dignity. So thank you.

THE COURT: Thank you.

Does anyone wish to be heard?

(No verbal response.)

THE COURT: I will approve the plan and all the settlements. If you will submit an order.

But I can't go by without saying something myself. I, too, have a lot of memories. I think many of us remember the first time that we tried to be as sensitive as we could to the community, knowing that they were losing an institution that was dear to them. And I appreciate all the comments about trying our best to take care of those patients, trying to make the transitions as seamless as possible for everybody involved, trying to take care of the employees. Yes, we knew we had a limited amount of resources.

But I will tell you, as a judge, it was also a pleasure to watch the professionals in this case. I know many times when you came in here, it was the proverbial smooth duck sailing across, where you had beat each other up underneath the water before you came in. And I was aware of that.

Nothing honors our profession more for you to

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represent your client the best you can, but with dignity and with the respect of not only the Court, but the people involved. And I'm talking about the people that -- I remember one time we were talking about getting rid of the bedpans, and all of those small things that were so important to the people that we're taking care of. So I thank you, also, for making this an incredibly smooth case, and for all of your hard work. And I look at everybody. I mean, I'm sorry some people aren't here; I miss them. I miss their vigor. I miss, a bit, the community for not seeing that we did try what we tried to do, and do it with as much dignity as possible. So thank you very much. I will see you on another I hope to see you in other cases. And the Court is adjourned. COUNSEL: Thank you. Thank you very much. Thank you, Your Honor. (Proceedings concluded at 12:26 p.m.)

CERTIFICATION I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of my knowledge and ability. Transcriptionist: Coleen Rand, AAERT Cert. No. 341 S/ Coleen Rand June 26, 2012 Coleen Rand, AAERT Cert. No. 341 Certified Court Transcriptionist Audio Edge Transcription, LLC