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In re:

BAYONNE MEDICAL CENTER,
Debtor-in-Possession.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

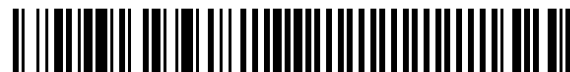
HONORABLE MORRIS STERN

CASE NO. 07-15195 (MS)

Chapter 11

**FIRST AMENDED JOINT PLAN OF LIQUIDATION UNDER
CHAPTER 11 OF THE BANKRUPTCY CODE**

Dated: February 23, 2009



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ARTICLE I

INTRODUCTION TO PLAN

Bayonne Medical Center, a New Jersey not for profit corporation and the debtor and debtor-in-possession in the above captioned Chapter 11 Case (the “Debtor”), and the Official Committee of Unsecured Creditors of Bayonne Medical Center (the “Committee,” together with the Debtor, the “Plan Proponents”), jointly propose the following Plan of Liquidation (together with exhibits and as amended from time to time, the “Plan”) pursuant to section 1121(a) of title 11 of the United States Code (the “Bankruptcy Code”).¹

Pursuant to the Plan, the Plan Proponents propose an orderly liquidation of the Debtor’s remaining Assets. The Plan provides that all funds realized from the collection and liquidation of the Debtor’s Assets will be paid to Creditors on account of their Claims in accordance with the distributive priorities of the Bankruptcy Code and consistent with the Secured Creditor Settlement previously approved by the Bankruptcy Court. The Plan Proponents propose to implement the Plan by establishing a Liquidating Trust that will be administered by the Liquidating Trustee. On the Effective Date, the Debtor’s Assets will be transferred to the Liquidating Trust for the benefit of Creditors. Thereafter, the Liquidating Trustee will be responsible for liquidating the Assets and making distributions to Creditors in accordance with the terms of the Plan.

Transmitted with this Plan is a copy of the Disclosure Statement required by Section 1125 of the Bankruptcy Code (together with exhibits and as amended from time to time, the “Disclosure Statement”). The Disclosure Statement is provided to help you understand this Plan. The Disclosure Statement contains, among other things, a discussion of the Debtor’s history, business,

¹Capitalized terms used herein shall have the meaning ascribed to them in Article II of this Plan.

results of operations, a summary of events occurring during the Chapter 11 Case, resolutions of material disputes, and a summary of this Plan.

All Creditors and other parties-in-interest are encouraged to carefully review the Disclosure Statement prepared by the Plan Proponents before voting to accept or reject the Plan.

THE PLAN PROPONENTS URGE ALL CREDITORS AND OTHER PARTIES IN INTEREST TO READ THIS PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY. NO SOLICITATION MATERIALS OTHER THAN THE DISCLOSURE STATEMENT AND ANY DOCUMENTS, SCHEDULES, EXHIBITS OR LETTERS ATTACHED THERETO OR REFERENCED THEREIN HAVE BEEN AUTHORIZED BY THE PLAN PROPONENTS OR THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

The Distributions to be made to Holders of Claims in each of the Classes of Claims against the Debtor are set forth in Article V herein.

ARTICLE II

DEFINITIONS

For purposes of this Plan, unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them below. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, as applicable. For purposes of the Plan and such defined terms, the singular and plural uses of such defined terms and the conjunctive and disjunctive uses thereof will be interchangeable (unless the context requires otherwise), and the defined terms will include the masculine, feminine and neutral genders.

2.1 Administrative Expense Claim

means any Claim against the Debtor (including a Professional Compensation and Reimbursement Claim), other than a Claim included in a Class under the Plan, arising or accruing during the period commencing on the Petition Date and ending on the Confirmation Date, which is entitled to priority in accordance with sections 503(b) and 507(a)(2) of the Bankruptcy Code.

2.2 Administrative Expense Claim Bar Date

means May 30, 2008, the last date fixed by the Administrative Expense Claim Bar Date Order, by which all applications or requests for treatment of an Administrative Expense Claim as an Allowed Administrative Expense Claim, other than (A) all fees payable to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930, (B) an Administrative Expense Claim already fixed and approved by order of the Bankruptcy Court prior to the entry of the Administrative Expense Bar Date Order; (C) an Administrative Expense Claim that has been paid in full prior to the entry of the Administrative Expense Bar Date Order; (D) an Administrative Expense Claim of a governmental unit that is subject to 11 U.S.C. § 503(b)(1)(D); (E) an Administrative Expense Claim of professionals of the Debtor or the Committee arising under Bankruptcy Code sections 327, 328, 330, 331, 503(b)(2) or 1103; and (F) an Administrative Expense Claim that was incurred, arose or accrued after February 1, 2008.

2.3 Administrative Expense Claim Bar Date Order

means that Order Granting Debtor's Motion for Entry of an Order (1) Fixing the Bar Date for Filing Pre-Petition Proofs of Claim, (2) Fixing the Bar Date for Filing Administrative Expense Claims Arising Between the Petition Date, April 16, 2007, and February 1, 2008, and (3) Designating the Form and Manner of Notice Thereof, dated April 22, 2008.

2.4 Allowed Claim

means any Claim, proof of which was timely and properly filed or, if no proof of Claim was filed, which has been or hereafter is listed by the Debtor in its Schedules, as such Schedules may be amended by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and, in each case, as to which: (A) no objection to allowance has been interposed within the applicable period fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or (B) such Claim has been allowed, in whole or in part, by a Final Order; provided, however, that any Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an Order of the Bankruptcy Court shall not be considered "Allowed Claims" hereunder. Unless otherwise specified herein or by Order of the Bankruptcy Court, "Allowed Administrative Expense Claim," or "Allowed Claim," shall not, for purposes of computation of distributions under the Plan, include interest on such Administrative Expense Claim or Claim from and after the Petition Date.

2.5 Assets

means each and every item of property and interest of the Debtor or the Estate as of the Effective Date, whether tangible or intangible, legal or equitable, liquidated or unliquidated, and except as transferred to the MTI Secured Creditors pursuant to the Secured Creditor Settlement Agreement, includes, without limitation: (a) all Cash; (b) all real property; (c) all Avoidance Actions; (d) all inventory; (e) all patents, licenses and intangibles; (f) all accounts receivable and any other amounts owed to the Debtor, whether due prior or subsequent to the Petition Date; (g) any other rights, privileges, deferred taxes, claims, causes of action or defenses, whether arising by statute or common law, and whether arising under the laws of the United States, other countries, or applicable state or local law; and (h) all of the Debtor's books and records.

2.6 Avoidance Actions

means any and all Causes of Action that the Debtor may assert under Chapter 5 of the Bankruptcy Code or any similar applicable law, regardless of whether or not such Causes of Action are commenced as of the Effective Date.

2.7 Ballot

means the form of ballot to be distributed with the Disclosure Statement and this Plan to each Holder of an Impaired Claim in a Class entitled to vote on the Plan on which is to be indicated acceptance or rejection of the Plan.

2.8 Balloting Deadline

means the date and time, as fixed by an Order of the Bankruptcy Court and set forth in the Disclosure Statement, by which all Ballots must be received by the Debtor at the address set forth on the Ballot, as such date may be extended by an Order of the Bankruptcy Court.

2.9 Bankruptcy Code

means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Case.

2.10 Bankruptcy Court

means the United States Bankruptcy Court for the District of New Jersey, having jurisdiction over the Chapter 11 Case, or if such Court ceases to exercise jurisdiction over the Chapter 11 Case, such court or adjunct thereof that exercises jurisdiction over the Chapter 11 Case in lieu of the United States Bankruptcy Court for the District of New Jersey.

2.11 Bankruptcy Rules

means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of Title 28 of the United States Code, and any Local Rules of the Bankruptcy Court, as amended from time to time, and as applicable to the Chapter 11 Case.

2.12 Bar Date

means May 30, 2008, the last date fixed by Order of the Bankruptcy Court for Creditors and Governmental Units to file proofs of Claim in the Chapter 11 Case.

2.13 Beneficiary

means “beneficiary” as defined in the Liquidating Trust Agreement.

2.14 Bond Trustee

means U.S. Bank, National Association, as successor Bond Trustee in connection with certain of the Obligations.

2.15 Business Day

means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

2.16 Cash

means cash constituting legal tender of the United States of America, cash equivalents and other readily marketable direct obligations of the United States of America, and fully FDIC-insured certificates of deposit issued by a bank.

2.17 Causes of Action

means any and all causes of action, grievances, arbitrations, actions, suits, demands, demand letters, claims, complaints, notices of non-compliance or violation, enforcement actions, investigations or proceedings of the Debtor and/or the Estate that are or may be pending on the Effective Date or that may be instituted or prosecuted by the Liquidating Trustee, on behalf of the Estate, after the Effective Date against any Person or Entity, based in law or equity, including, but not limited to, under the Bankruptcy Code, whether direct, indirect, derivative, or otherwise and whether asserted or unasserted as of the Effective Date (unless transferred to the MTI Secured Creditors, released or resolved pursuant to this Plan or otherwise prior to the Effective Date) relating, without limitation, to (i) the right to object to Claims; (ii) all avoidance powers, actions, rights, remedies or affirmative defenses under Bankruptcy Code Sections 544 through 553 and Section 724, under any similar or related law (including state law), or under fraudulent transfer or preference laws; (iii) all claims against present and former trustees and officers of the Debtor and all proceeds of any errors and omissions and/or similar insurance policies maintained by or on behalf of the Debtor; and (iv) any

and all claims against any Person or Entity arising from, in connection with, or related to: (x) the failed sale of the Debtor's assets to Urban Suburban, LLC, (y) the D&O and Tort Claims; (z) transaction(s) by and between the Debtor and Pamrapo Savings Bank, S.L.A.

2.18 Chapter 11 Case

means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor, styled *In re Bayonne Medical Center*, Chapter 11 Case No. 07-15195 (MS), currently pending in the Bankruptcy Court.

2.19 Chapter 11 Professionals

means the Debtor's Professionals and the Committee's Professionals, wherever they are referred to collectively in the Plan.

2.20 Claim

shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

2.21 Claims Agent

means Kurtzman Carson Consultants, LLC, the entity retained by the Debtor pursuant to an Order of the Bankruptcy Court to serve as agent of the Clerk pursuant to 28 U.S.C. § 156(c).

2.22 Claims Objection Deadline

means the date which is one hundred and eighty (180) days after the Effective Date, as the same may be from time to time extended by the Bankruptcy Court.

2.23 Claims Register

means the document generated by the Bankruptcy Court or the Claims Agent which reflects the proofs of Claim filed by Holders of Claims.

2.24 Class

means any group of substantially similar Claims classified by the Plan pursuant to section 1123(a)(1) of the Bankruptcy Code.

2.25 Clerk

means the Clerk of the Bankruptcy Court.

2.26 Collateral

means any property or interest in property of the Estate of the Debtor subject to a lien, charge, or other encumbrance to secure the payment or performance of a Claim, which lien, charge or other, encumbrance is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code.

2.27 Committee

means the Official Committee of General Unsecured Creditors appointed by the Office of the United States Trustee in the Chapter 11 Case pursuant to Bankruptcy Code section 1102(a)(1).

2.28 Committee's Professionals

means (a) the law firm of Sills, Cummis & Gross, P.C.; (b) the accounting firm of Weiser, LLP; and (c) any and all other professionals that the Committee has retained or may retain, with Bankruptcy Court approval, to assist in the conduct of the Chapter 11 Case or to provide professional services for a specified purpose, all in accordance with Bankruptcy Code section 327.

2.29 Confirmation Date

means the date the Clerk enters the Confirmation Order on the docket in the Chapter 11 Case.

2.30 Confirmation Hearing

means the duly noticed hearing to be held in accordance with section 1128(a) of the Bankruptcy Code at which confirmation of the Plan is considered by the Bankruptcy Court, as such hearing may be adjourned or continued from time to time.

2.31 Confirmation Order

means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

2.32 Creditor

means any Person that is the Holder of a Claim against the Debtor.

2.33 Cure

means with respect to the assumption of an Executory Contract or unexpired lease pursuant to Section 365(b) of the Bankruptcy Code, (A) the distribution of Cash, or the distribution of such other property as may be agreed upon by the parties or ordered by the Bankruptcy Court, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed upon by the parties under an Executory Contract or unexpired lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable bankruptcy law or (B) the taking of such other actions as may be agreed upon by the parties or ordered by the Bankruptcy Court.

2.34 D&O and Tort Claims

means all claims and causes of action, including Avoidance Actions, against the Debtor's current or former officers and trustees and all claims and causes of action of the Debtor and/or Estate as of the Effective Date sounding in tort or otherwise which are not subject to assignment under applicable law.

2.35 D&O Insurance Policy

means collectively, (i) the directors' and officers' insurance policy or policies in effect on the Petition Date for the benefit of the Debtor's present or former members of the board of trustees and officers, (ii) any additional insurance that provides continued indemnification from claims and actions against the Debtor's present or former members of the board of trustees or officers, including any excess insurance coverage pertaining thereto.

2.36 Debtor

means Bayonne Medical Center.

2.37 Debtor-in-Possession

means the Debtor in its capacity as debtor-in-possession in the Chapter 11 Case pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

2.38 Debtor's Professionals

means (a) the law firm of Cooley Godward Kronish LLP; (b) the law firm of Connell Foley LLP; (c) the financial advisory firm of FTI Cambio, LLC; (d) the investment banking firm of Cain Brothers & Company, LLC; (e) the accounting firm of Amper, Politziner & Mattia, P.C.; (f) the law firm of Lindabury, McCormick, Estabrook & Cooper; and (g) any and all other professionals that the Debtor has retained or may retain, with Bankruptcy Court approval, to assist in the conduct of the Chapter 11 Case or to provide professional services for a specified purpose, all in accordance with Bankruptcy Code section 327.

2.39 Debtor Representative

means Allen D. Wilen, or such other person or entity as may be appointed and approved by the Bankruptcy Court as the Debtor Representative.

2.40 Disallowed

means, with reference to any Claim, a Claim or any portion thereof that has been disallowed or expunged by Final Order of the Bankruptcy Court.

2.41 Disbursing Agent

means Allen D. Wilen, or such other person or entity as may be appointed and approved by the Bankruptcy Court as the Disbursing Agent effective on the Effective Date.

2.42 Disbursing Agent Reserve

means the Cash transferred by the Debtor to the Disbursing Agent before the Confirmation Hearing in an amount necessary to pay the estimated Professional Compensation and Reimbursement Claims through the Effective Date and the asserted Administrative Expense, Priority Tax and Class 1 Claims, and all fees pursuant to 28 U.S.C. § 1930 due and payable as of the Effective Date.

2.43 Disclosure Statement

means the Disclosure Statement relating to this Plan including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

2.44 Disputed Claim

means any Claim, proof of which was timely and properly filed and which Claim has not been listed on the Schedules, or has been or hereafter is listed on the Schedules as unliquidated, disputed or contingent, or with reference to an Administrative Expense Claim, any Administrative Expense Claim which is disputed under the Plan or as to which the Debtor or, if not prohibited by the Plan, any other party in interest has interposed a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, and any Claim proof of which was required to be filed by Order of the Bankruptcy Court but as to which a proof of claim or interest was not timely or properly filed, except that any Claim allowed by a Final Order of the Court shall be an Allowed Claim.

2.45 Effective Date

means the first Business Day after the Confirmation Order becomes a Final Order, and all conditions to the Effective Date as set forth in Section 13.1 of this Plan have been satisfied or, if waivable, jointly waived by the Debtor and the Committee.

2.46 Entity

means an entity as defined in section 101(15) of the Bankruptcy Code.

2.47 Estate

means the estate created upon the commencement of the Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

2.48 Executory Contract

means any executory contract or unexpired lease as of the Petition Date, subject to section 365 of the Bankruptcy Code, between a Debtor and any other Person or Persons, specifically excluding contracts and agreements entered into pursuant to the Plan or subject to section 1113 of the Bankruptcy Code.

2.49 Fee Application

means an application by a Professional for a Professional Compensation and Reimbursement Claim.

2.50 Final Distribution Date

means the date on which the distribution is made from the Liquidating Trust that finally and fully exhausts the assets of the Liquidating Trust.

2.51 Final Order

means an Order of the Bankruptcy Court or any other adjudicative body, which Order has not been stayed, and as to which the time to appeal or to move for reargument or rehearing has expired and no appeal, reargument or rehearing shall then be pending; provided, however, that no order shall not be deemed a Final Order solely because such order is subject to a motion for reconsideration pursuant to Bankruptcy Code Section 502(e)(2) or 502(j), Bankruptcy Rule 3008, Bankruptcy Rule 9024, or Federal Rule of Civil Procedure 60, appeal, review or *certiorari* proceeding unless the order has been stayed.

2.52 Fraudulent Conveyance Claims

means all fraudulent transfer Causes of Action under sections 544, 548 and 550 of the Bankruptcy Code or applicable state law.

2.53 General Unsecured Claim

means any Claim against the Debtor which is not secured by collateral and that is not an Administrative Expense Claim, Priority Tax Claim, Priority Non-Tax Claim, MTI Secured Claim, Other Secured Claim (but not any deficiency claim of the holder of an Other Secured Claim), or MTI Unsecured Claim, but including, without limitation, Claims arising from the rejection of an unexpired lease or Executory Contract pursuant to the Plan or otherwise and deficiency claims of Holders of Allowed Class 3 Claims.

2.54 Governmental Unit

means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

2.55 GUC Account

means that certain account at a financial institution established and designated by the trustee of the Liquidating Trust, into which shall be deposited Cash in trust for Holders of Allowed Class 4A Claims and Allowed Class 4B Claims.

2.56 GUC Distribution Date

means: (a) initially, the first Business Day which is thirty (30) days after the Effective Date or as soon as practical thereafter; (b) thereafter, any interim date(s) that the Liquidating Trustee deems appropriate in its discretion based on the amount of Liquidation Proceeds on hand, whether there remain any unpaid Administrative Expense Claims or Priority Claims and the amount of General Unsecured Claims that are Allowed at the time; and (c) thereafter, the Final Distribution Date.

2.57 Holder

means the beneficial holder of any Claim.

2.58 Impaired

refers to any Claim that is impaired within the meaning of section 1124 of the Bankruptcy Code.

2.59 Insured Claim

means any Claim arising from an incident or occurrence that is covered under the Debtor's insurance policies.

2.60 Lien

shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

2.61 Liquidating Trust

means the trust established pursuant to the Liquidating Trust Agreement.

2.62 Liquidating Trust Agreement

means that certain Agreement, in substantially the form annexed as Exhibit E to the Disclosure Statement, which shall establish, evidence and govern the Liquidating Trust, which will be entered into as of the Effective Date by the Debtor and the Liquidating Trustee pursuant to Article VIII of the Plan, will be subject to approval by the Bankruptcy Court, and will become part of the Plan pursuant to the Confirmation Order.

2.63 Liquidating Trust Estate

means all Assets of the Debtor that will be irrevocably transferred to the Liquidating Trust pursuant to this Plan on the Effective Date.

2.64 Liquidating Trustee

means Allen D. Wilen, or such other person or entity as may be appointed and approved by the Bankruptcy Court as the trustee of the Liquidating Trust as of the Effective Date, and any successor Liquidating Trustee appointed as provided in the Liquidating Trust Agreement. Any changes to the identity of the Liquidating Trustee will be disclosed by the Debtor and the Committee, will be subject to approval of the Bankruptcy Court, and will become part of the Plan pursuant to the Confirmation Order.

2.65 Liquidating Trustee Professionals

means professionals for whom retention has been or is sought by the Liquidating Trustee for carrying out the objectives of the Liquidating Trust Agreement.

2.66 Liquidation Proceeds

means (a) the Cash transferred to the Liquidating Trustee on the Effective Date; (b) the Cash proceeds or other proceeds of sale, collection, or other liquidation of any of the Assets after payment of all costs, expenses, and commissions of such sale, collection, or other disposition of the Assets; and (c) all Cash or other proceeds from the ownership of the Assets, including Avoidance Action Recoveries; provided, however, that the Liquidation Proceeds will not include the Disbursing Agent Reserve, except as provided in the definition of Disbursing Agent Reserve, or the Reserve, except as provided in the definition of Reserve.

2.67 Master Trust Indenture

means that certain Master Trust Indenture dated as of December 1, 1994, as supplemented, by and between the Debtor and United Jersey Bank.

2.68 Master Trustee

means The Bank of New York Mellon, as successor-in-interest to United Jersey Bank, or any successor Master Trustee appointed as provided in the Master Trust Indenture.

2.69 MTI Secured Claim

means the Secured Claim of the Master Trustee on behalf of itself and the holders of the Obligations under the Master Trust Indenture as Allowed by the Bankruptcy Court pursuant to the Secured Creditor Settlement Agreement and related Order dated September 23, 2008.

2.70 MTI Secured Creditors

means the Master Trustee, the Bond Trustee, and the holders and holders-in-interest of the Obligations.

2.71 MTI Unsecured Claim

means the unsecured Claim of the Master Trustee on behalf of itself and the holders of the Obligations under the Master Trust Indenture.

2.72 Obligations

means the notes issued by the Debtor to evidence indebtedness incurred pursuant to the terms of the Master Trust Indenture.

2.73 Order

means an order or judgment of the Bankruptcy Court or other adjudicative body.

2.74 Other Administrative Expense Claim

means an Administrative Expense Claim that was not required to be filed with the Court or the Claims Agent on or before the Administrative Expense Claim Bar Date.

2.75 Other Secured Claim

means any Secured Claim, other than the MTI Secured Claim, arising prior to the Petition Date against the Debtor and not otherwise paid or satisfied by an Order authorizing the payment of such Other Secured Claim before the Effective Date. Other Secured Claim shall not include any deficiency claim under section 506 of the Bankruptcy Code, which shall be treated as a General Unsecured Claim.

2.76 Person

shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

2.77 Petition Date

means April 16, 2007, the date on which the Debtor commenced the Chapter 11 Case.

2.78 Plan

means this chapter 11 plan of orderly liquidation, including, without limitation, and all exhibits, supplements, appendices and schedules hereto, either in their present form or as the same may be altered, amended or modified from time to time.

2.79 Plan Proponents

means the Debtor and the Committee.

2.80 Post-Effective Date Creditors Committee

means the committee of persons appointed as of the Effective Date to advise and instruct the Liquidating Trustee in the performance of the Liquidating Trustee's duties and obligations under the Plan with respect to the liquidation of Assets belonging to the Holders of Allowed Claims in Class 4A and Class 4B of the Plan.

2.81 Post-Effective Date Notice List

means the list, created pursuant to Section 13.6 of the Plan, of persons who desire to receive notices after the Effective Date of the Plan.

2.82 Preference Claims

means all Causes of Action pursuant to sections 547 of the Bankruptcy Code.

2.83 Primary Distribution

means that distribution, up to a maximum of \$3,000,000, that shall be made to the Holders of General Unsecured Claims after payment of Administrative Expense Claims and Priority Non-Tax Claims and Priority Tax Claims, if any, as more fully described in the Secured Creditor Settlement Agreement and this Plan.

2.84 Priority Non-Tax Claim

means any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

2.85 Priority Tax Claim

means any Claim of a Governmental Unit of the kind entitled to priority in payment as specified in Section 502(i) and 507(a)(8).

2.86 Pro Rata

means a number (expressed as a percentage) equal to the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of or number of: (a) Allowed Claims plus (b) Disputed Claims (in their aggregate face or, if applicable, estimated amount) in such Class as of the date of determination.

2.87 Professional

means a Person or Entity employed pursuant to a Final Order in accordance with sections 327 or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to the Confirmation Date, pursuant to sections 327, 328, 329, 330 and/or 331 of the Bankruptcy Code, or for which compensation and reimbursement has been Allowed by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

2.88 Professional Compensation and Reimbursement Claim

means a Claim of a Professional for compensation or reimbursement of costs and expenses relating to services incurred after the Petition Date and prior to and including the Confirmation Date.

2.89 Reserve

means the reserve established by the Liquidating Trustee to pay all reasonably anticipated expenses of administering the Liquidating Trust including, but not limited to, the costs, fees and expenses of the Liquidating Trustee and all professionals retained by him. Among other things, the Reserve will be used to fund the professional fees and expenses incurred to prosecute objections to Disputed Claims. The Reserve will be funded from the Cash transferred to the Liquidating Trustee on the Effective Date, and the amount of the Reserve may be specified in the Confirmation Order. The Liquidating Trustee will have the right to fix the initial amount, and any additional amounts of the Reserve, in his reasonable discretion. Unused amounts in the Reserve as of the Final Distribution Date (after the payment of all costs and expenses to be covered by the Reserve as described above) will become part of the Liquidation Proceeds.

2.90 Schedules

means the schedules of assets and liabilities, and the statements of financial affairs filed by the Debtor under section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and all amendments and modifications thereto through the Confirmation Date.

2.91 Secondary Distribution

means that distribution, up to a maximum of \$1,000,000, that shall be made to the MTI Secured Creditors if funds remain in the Estate after the Primary Distribution, as more fully described in the Secured Creditor Settlement Agreement and this Plan.

2.92 Section 503(b)(9) Administrative Claim

means a Claim against the Debtor alleged to be entitled to an administrative expense priority under 11 U.S.C. §503(b)(9) for goods sold to the Debtor in the ordinary course of the Debtor's business and received by the Debtor within 20 days before the Petition Date.

2.93 Secured Claim

means a Claim that is secured by a lien on property in which the Estate has or had an interest, which lien is valid, perfected and enforceable under applicable law or by reason of a Final Order, or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code, provided, however, that a Secured Claim shall not include any portion of the Claim to the extent that the value of such entity's Collateral is less than the amount of such Claim.

2.94 Secured Creditor

means every Creditor that holds a Secured Claim in the Chapter 11 Case.

2.95 Secured Creditor Allocation

shall have the same meaning as is set forth in the Secured Creditor Settlement Agreement.

2.96 Secured Creditor Settlement Agreement

means that certain Settlement Agreement Between and Among the Debtor, the Committee, The Bank of New York Mellon, as Master Indenture Trustee, Financial Security Assurance Inc., U.S. Bank, National Association, as Bond Trustee, Nuveen High Yield Fund and Lehman Brothers, Inc., which was approved by the Bankruptcy Court by Order dated September 23, 2008.

2.97 Voting Deadline

means March 26, 2009, at 4:00 p.m., Pacific Time, the date fixed by the Court pursuant to that Order: (A) Approving the Disclosure Statement Pursuant to 11 U.S.C. § 1125(b); (B) Fixing a Record Date for Voting and Procedures for Filing Objections to the Plan and Temporary Allowance of Claims; (C) Scheduling a Hearing and Approving Notice and Objection Procedures in Respect of Plan Confirmation; (D) Approving Solicitation Packages and Procedures for Distribution Thereof; and (E) Approving the Form of Ballot and Establishment of Procedures for Voting on the Plan entered by the Bankruptcy Court on February 23, 2009.

2.98 Voting Record Date

means February 20, 2009 the date fixed by the Court for determining eligibility to vote on the Plan.

ARTICLE III

CLASSIFICATION OF CLAIMS

This section classifies Claims (each a “Class”) for all purposes, including voting, confirmation and distribution under the Plan. A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of the Class, and is classified in a different Class to the extent the Claim qualifies within the description of that different Class. Administrative Expense Claims and Priority Tax Claims are not classified.

This Plan is intended to deal with all Claims against the Debtor of whatever character, whether known or unknown, whether or not with recourse, whether or not contingent or unliquidated, and whether or not previously Allowed by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code. However, only Holders of Allowed Claims will receive any distribution under this Plan. For purposes of determining Pro Rata distributions under this Plan and in accordance with this Plan, Disputed Claims shall be included in the Class in which such Claims would be included if Allowed, until such Claims are finally Disallowed.

3.1 Class 1 consists of Priority Non-Tax Claims of the Debtor.

3.2 Class 2 consists of the MTI Secured Claim.

3.3 Class 3 consists of Other Secured Claims. To the extent there is more than one Other Secured Claim, each such Claim will be deemed to be a separate sub-class.

3.4 Class 4A consists of all General Unsecured Claims.

3.5 Class 4B consists of the MTI Unsecured Claim.

ARTICLE IV

TREATMENT OF UNCLASSIFIED CLAIMS

Certain types of Claims are not placed into voting classes; instead they are unclassified. Such Claims are not considered Impaired and they do not vote on this Plan because they are automatically entitled to specific treatment provided under the Bankruptcy Code. As such, the Debtor has not placed such Claims in a Class. The treatment of these Claims is provided below:

4.1 Administrative Expense Claims

4.1.1 General

Subject to the allowance procedures and the deadlines provided in this Plan, and except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a different treatment, each Holder of an Allowed Administrative Expense Claim shall be paid in full, in Cash, by the Disbursing Agent from the Disbursing Agent Reserve on the later of: (a) ten (10) Business Days after the Effective Date; or (b) ten (10) Business Days after the date of entry of a Final Order determining and Allowing such Claim as an Administrative Expense Claim, or as soon thereafter as is practicable.

4.1.2 Other Administrative Expense Claims

Any Person, other than a Holder of a Professional Compensation and Reimbursement Claim, seeking payment on account of an Other Administrative Expense Claim shall file a request for payment of such Other Administrative Expense Claim no later than thirty (30) days after the Confirmation Date. All Other Administrative Expense Claims shall be treated as Administrative Expense Claims as set forth in Section 4.1.1 above, or shall be paid on such other terms as may be mutually agreed upon between the Holder of an Allowed Other Administrative Expense Claim and the Disbursing Agent or the Liquidating Trustee, as the case may be. Failure to timely file a request

for payment of an Other Administrative Expense Claim shall result in the Other Administrative Expense Claim being forever barred and discharged.

4.1.3 Professional Compensation and Reimbursement Claims

Any Person seeking payment on account of a Professional Compensation and Reimbursement Claim shall file its respective final Fee Application no later than sixty (60) days after the Confirmation Date. All Professional Compensation and Reimbursement Claims shall be treated as Administrative Expense Claims as set forth in Section 4.1.1 above, or shall be paid on such other terms as may be mutually agreed upon between the Holder of an Allowed Professional Compensation and Reimbursement Claim and the Disbursing Agent. Failure to timely file a final Fee Application shall result in the Professional Compensation and Reimbursement Claim being forever barred and discharged.

4.2 Priority Tax Claims

In full satisfaction of an Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall receive from the Disbursing Agent payment in Cash equal to the amount of such Claim. Payment to Holders of Allowed Priority Tax Claims shall be made on the later of (i) the Effective Date, and (ii) ten (10) Business Days after entry of a Final Order Allowing such Priority Tax Claim, or as soon thereafter as is practicable, but in no event later than thirty (30) days after entry of such Final Order, unless such Holder shall have agreed to different treatment of such Allowed Claim.

4.3 Statutory Fees

All fees pursuant to 28 U.S.C. § 1930 due and payable as of the Effective Date will be paid by the Disbursing Agent on the Effective Date. All quarterly reports of disbursements required to be filed shall be filed in accordance with applicable bankruptcy law. Any United States Trustee

quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6) shall continue to be paid from the Liquidating Trust until entry of a final decree, or until conversion or dismissal of the Bankruptcy Case. Any and all fees due and payable after the Effective Date shall be the sole and exclusive liability of the Liquidating Trust.

ARTICLE V

TREATMENT OF CLASSIFIED CLAIMS

The Allowed Claims classified in Article III of the Plan shall be satisfied in the manner set forth in this Article V unless the Holder of such Allowed Claim agrees to accept less favorable treatment.

5.1 Class 1 – Priority Non-Tax Claims

(a) Each Holder of an Allowed Class 1 Claim, if any, will receive Cash in an amount equal to such Allowed Class 1 Claim, without interest, on the later of (a) ten (10) Business Days after the Effective Date; or (b) ten (10) Business Days after the date of entry of a Final Order Allowing such Priority Non-Tax Claim, or as soon thereafter as is practicable.

(b) Class 1 Claims are not Impaired and, therefore, Holders of Class 1 Priority Non-Tax Claims are not entitled to vote to accept or reject this Plan. Each Holder of a Class 1 Priority Non-Tax Claim is conclusively presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

5.2 Class 2 – MTI Secured Claim

(a) The Holder of an Allowed Class 2 Claim shall be treated in accordance with the Secured Creditor Settlement Agreement, which agreement is incorporated herein by reference. The Holder of an Allowed Class 2 Claim shall receive, in full and final satisfaction of its Allowed Class 2 Claim, the Secured Creditor Allocation.

(b) Class 2 is Impaired by this Plan.² Therefore, the Holder of the Class 2-Claim is entitled to vote to accept or reject this Plan.

5.3 Class 3 – Other Secured Claims

(a) In the sole discretion of the Plan Proponents, the Holder of an Allowed Class 3 Other Secured Claim shall be treated in one of the following ways:

(i) on the Effective Date, the legal, equitable, and contractual rights of each Holder of an Allowed Other Secured Claim shall be reinstated in accordance with the provisions of section 1124(2) of the Bankruptcy Code notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the Holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim before the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, covenants regarding corporate existence, or covenants prohibiting certain transactions or actions contemplated by the Plan or conditioning such transactions or actions on certain factors, shall not be enforceable as to any breach that occurred on or prior to the Effective Date or any breach determined by reference back to a date preceding the Effective Date;

(ii) on the Effective Date, the Holder of an Allowed Other Secured Claim shall (a) retain a Lien securing such Allowed Other Secured Claim and (b) receive deferred Cash

² Notwithstanding the designation of the Class 2 Claim as Impaired, the Plan Proponents reserve the right to argue that the treatment of the Class 2 Claim renders the Claim not Impaired and, therefore, that the Holder of the Class 2 Claim is conclusively presumed to have accepted the Plan pursuant to 11 U.S.C. § 1126(f). Pursuant to the Secured Creditor Settlement, the Holder of the Class 2 Claim is obligated to vote in favor of the Plan, provided that the Plan is consistent with the terms of the Secured Creditor Settlement Agreement.

payments from the Liquidating Trust totaling at least the value of such Allowed Other Secured Claim as of the Effective Date;

(iii) on the Effective Date, the collateral securing such Allowed Other Secured Claim shall be surrendered to the Holder of such Allowed Other Secured Claim in full satisfaction of such Allowed Other Secured Claim; or

(iv) the Holder of an Allowed Other Secured Claim shall be paid, in Cash, an amount equal to such Holder's Allowed Other Secured Claim, on the later of (a) ten (10) Business Days after the Effective Date, or (b) ten (10) Business Days after the date of entry of a Final Order allowing such Claim as an Other Secured Claim, or as soon thereafter as is practicable. To the extent the collateral securing an Allowed Other Secured Claim has been or is to be sold pursuant to an Order of the Bankruptcy Court, the amount to be paid to the Holder of such Allowed Other Secured Claim pursuant to the preceding sentence shall be net of the costs of sale of such collateral and otherwise subject to the rights of the Debtor or the Liquidating Trustee pursuant to 11 U.S.C. § 506(c).

(b) The failure to object to any Other Secured Claim in the Chapter 11 Case shall be without prejudice to rights of the Debtor or the trustee of the Liquidating Trust to contest or otherwise defend against such Claim in the Bankruptcy Court when and if such Claim is sought to be enforced by the Holder of such Other Secured Claim.

(c) Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all pre-petition Liens on property of the Debtor held with respect to an Other Secured Claim shall survive the Effective Date and continue in accordance with the contractual terms or statutory provisions governing such Claim until such Allowed Claim is paid in full, at which time such Lien shall be released, shall be deemed null and void, and shall be unenforceable for all purposes;

provided, however, that the Debtor or Liquidating Trustee, as the case may be, may condition delivery of any final payment upon receipt of an executed release of the Lien. Any and all Liens securing any Other Secured Claim that is not an Allowed Claim shall be released, shall be deemed null and void, and shall be unenforceable for all purposes. Except as provided in the Secured Creditor Settlement Agreement, nothing in the Plan shall preclude the Debtor or the Liquidating Trustee from challenging the validity of any alleged Lien on any asset of the Debtor or the value of the property that secures any alleged Lien.

(d) Class 3 Other Secured Claims are not Impaired and, therefore, Holders of Class 3 Other Secured Claims are not entitled to vote to accept or reject this Plan. Each Holder of a Class 3 Other Secured Claim is conclusively presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(e) Class 3 shall not affect any General Unsecured Claim for any allowed deficiency claim of the holder of an Other Secured Claim.

5.4 Class 4A – General Unsecured Claims

(a) Each Holder of an Allowed Class 4A Claim shall receive, in full and final satisfaction of its Allowed Class 4A Claim, a *Pro Rata* share of the monies to be distributed on account of Allowed Class 4A Claims by the Liquidating Trust (subject to establishment of an appropriate reserve pending final reconciliation and payment of Allowed Administrative Claims and Allowed Priority Claims) from the GUC Account pursuant to this Plan. Payments to each Holder of an Allowed Class 4A Claim shall be made on the GUC Distribution Date, and in accordance with the Plan and the Secured Creditor Settlement Agreement.

(b) Class 4A is Impaired and the Holders of Allowed Class 4A Claims are entitled to vote to accept or reject this Plan.

5.5 Class 4B – MTI Unsecured Claim

(a) The Allowed Class 4B Claim shall be treated and paid in accordance with the Secured Creditor Settlement Agreement, including, without limitation, payment by the Liquidating Trust Estate to the Master Trustee of the Secondary Distribution, if any.

(b) If funds remain in the Liquidating Trust Estate after payment of the Secondary Distribution to the Holder of the Allowed Class 2 Claim, such funds shall be shared and distributed as follows:

(i) to the extent that the Allowed Class 4B Claim is equal to or exceeds the aggregate of all Allowed Class 4A General Unsecured Claims, all Allowed Class 4A Claims and the Allowed Class 4B Claim shall share all remaining estate assets 50%/50%; provided, however, that if the amount of the Allowed Class 4B Claim is greater than fifty-five percent (55%) of the entire amount of all Allowed Class 4A Claims, then the distribution allocation to the Holder of an Allowed Class 4B Claim shall be fifty percent (50%) plus the percentage by which the Allowed Class 4B Claim exceeds fifty-five percent (55%) of the aggregate pool of Allowed Class 4A Claims.³

(ii) to the extent that the Allowed Class 4B Claim is less than the aggregate of all Allowed Class 4A Claims, the Allowed Class 4B Claim and all Allowed Class 4A Claims shall share *Pro Rata*.

(c) Distributions to Allowed Class 4B Claims shall be made on the GUC Distribution Date, and in accordance with the Plan and the Secured Creditor Settlement Agreement.

³ By way of illustration, if the Allowed Class 4B Claim represents 60% of the entire amount of all Allowed Class 4A Claims, then the distribution under this section would be allocated fifty-five percent (55%) to the Holder of the Allowed Class 4B Claim and forty-five percent (45%) to the Holders of Allowed Class 4A Claims.

(d) Class 4B is Impaired by this Plan. Therefore, the Class 4B Claim is entitled to vote to accept or reject this Plan.

ARTICLE VI

ACCEPTANCE OR REJECTION OF THIS PLAN

6.1 Voting Classes

Holders of Allowed Claims in each Impaired Class, or their designees, shall be entitled to vote separately to accept or reject the Plan. Each Holder of an Allowed Claim in Classes 2, 4A and 4B is entitled to vote to accept or reject the Plan.

6.2 Controversy Concerning Impairment

In the event of a controversy as to whether any Holder of an Allowed Claim or Plan Class is Impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

6.3 Acceptance by Impaired Classes

An Impaired Class of Claims shall be deemed to have accepted the Plan if (a) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims voting in such Class have voted to accept the Plan.

6.4 Non-Consensual Confirmation

At the request of the Plan Proponents, this Plan may be confirmed under the so-called “cram down” provisions set forth in section 1129(b) of the Bankruptcy Code if, in addition to satisfying the other requirements for confirmation, this Plan “does not discriminate unfairly” and is determined to be “fair and equitable” with respect to each Class of Claims that has not accepted this

Plan (*i.e.*, dissenting Classes). The Plan Proponents will request confirmation under this provision for any Impaired Class that rejects the Plan. The Plan Proponents reserve the right to alter, amend, modify, revoke or withdraw the Plan or any amendment or supplement thereto, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary, in accordance with section 1127 of the Bankruptcy Code and this Plan.

6.5 Class 2 and Class 4B Claims Voting

The Class 2 and Class 4B Claims shall be voted by the holders-in-interest of the Obligations in a manner consistent with the Secured Creditor Settlement Agreement. Each such ballot shall be in an amount, for voting purposes only, equal the amount of Obligations held by the respective holder-in-interest as of the Voting Record Date. In accordance with Series Resolutions governing the Obligations held by the Bond Trustee and issued on or about December 1, 1994, and January 1, 1998, Financial Security Assurance, Inc., in its capacity as Bond Insurer, shall be the voting party with respect to such Obligations. This paragraph shall apply for voting and tabulation purposes only, and shall not otherwise affect the rights or duties of the Bond Trustee or the amount, treatment, or rights of all parties with respect to the Class 2 and Class 4B Claims.

ARTICLE VII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.1 Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Contracts and unexpired leases of the Debtor will be deemed rejected, other than: (i) Executory Contracts and unexpired leases that were previously assumed, assumed and assigned or rejected by Final Order of the Bankruptcy Court (which contracts will be treated in accordance with such Final Order) and (ii) the D&O Insurance Policies. The Confirmation Order will constitute an order approving: (i) such rejection on the Effective Date; and (ii) assumption of the Debtor's D&O Insurance Policies. The Confirmation Order will also constitute a determination that no default by the Debtor exists with respect to any of the D&O Insurance Policies requiring Cure.

7.2 Claims Based On Rejection Of Executory Contracts Or Unexpired Leases

All proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or unexpired leases under this Plan, if any, must be filed with the Bankruptcy Court within thirty (30) days after the Confirmation Date. Any Claims arising from the rejection of an Executory Contract or unexpired lease under this Plan not filed within such time will be forever barred from assertion against the Debtor, the Debtor Representative, the Estate, the Liquidating Trust, the Liquidating Trust Estate, the Liquidating Trustee, and their respective property unless otherwise ordered by the Bankruptcy Court or provided in this Plan. All Claims arising from the rejection of any Executory Contract shall be treated as, Class 4A General Unsecured Claims in accordance with the terms of this Plan.

ARTICLE VIII

MEANS OF IMPLEMENTING THE PLAN

8.1 Overview

This Plan provides for the disposition of substantially all of the assets of the Debtor and the distribution of the net proceeds thereof to Holders of Allowed Claims, consistent with the priority provisions of the Bankruptcy Code.

8.2 Disbursing Agent and Disbursing Agent Reserve

The Disbursing Agent shall be appointed for the purpose of receipt and distribution of all funds required to be disbursed to Holders of Allowed Administrative Expense, Other Administrative Expense, Professional Compensation and Reimbursement, Priority Tax and Class 1 Claims, and to pay all fees pursuant to 28 U.S.C. § 1930 due and payable as of the Effective Date (collectively, the “Confirmation Funds”). The Disbursing Agent shall establish an escrow account (the “Disbursing Agent Reserve”) into which the Debtor shall deposit before the Confirmation Hearing an amount of Cash equal to the amount of the Confirmation Funds. To the extent that any Administrative Expense, Other Administrative Expense, Professional Compensation and Reimbursement, Priority Tax and Class 1 Claims, and fees pursuant to 28 U.S.C. § 1930 due and payable as of the Effective Date are contingent or unliquidated, the Plan Proponents may estimate the amount of such Claims for purposes of creating the Disbursing Agent Reserve. At least three (3) days before the Confirmation Hearing, each Professional asserting a Professional Compensation and Reimbursement Claim shall serve on the Disbursing Agent an estimate of the maximum amount of compensation and reimbursement of expenses to be asserted in the Chapter 11 Case from the Petition Date through the Effective Date.

8.3 Establishment of Liquidating Trust; Appointment of Liquidating Trustee and Debtor Representative; Revesting of D&O and Tort Claims in Estate

(a) Immediately prior to the Effective Date, the Debtor shall execute the Liquidating Trust Agreement. The Liquidating Trust Agreement is hereby incorporated into this Plan in its entirety as if set forth in full. The Liquidating Trust Agreement shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Liquidating Trust Estate as a grantor trust.

(b) On the Effective Date, and in accordance with the Confirmation Order, the Estate's title to all of the Assets, except the D&O and Tort Claims, automatically will pass to the Liquidating Trust, free and clear of all Claims in accordance with section 1141 of the Bankruptcy Code. Notwithstanding the foregoing, the Plan Proponents reserve the right to modify the Plan to exclude certain Assets from transfer to the Liquidating Trust.

(c) All parties shall execute any documents or other instruments as necessary to cause title to the Assets to be transferred to the Liquidating Trust Estate. The Assets will be held in trust for the benefit of all Holders of Allowed Claims pursuant to the terms of the Plan and the Liquidating Trust Agreement.

(d) On the Effective Date, the Liquidating Trustee will be appointed. The Liquidating Trustee will pay or otherwise make distributions on account of all Allowed Claims against the Debtor in accordance with the terms of the Plan.

(e) On the Effective Date, a Debtor Representative shall be appointed pursuant to Section 1123(b)(3) of the Bankruptcy Code.

(f) On the Effective Date, the D&O and Tort Claims will revest in the Debtor. The Debtor Representative shall be authorized to institute and to prosecute through final judgment

or settlement the D&O and Tort Claims. The proceeds of the D&O and Tort Claims shall be transferred to the Liquidating Trust for the benefit of the Holders of Allowed Class 4A and Allowed Class 4B Claims, in accordance with the provisions of this Plan and the Secured Creditor Settlement Agreement.

8.4 Powers and Authority of the Liquidating Trustee

The powers of the Liquidating Trustee are set forth in full in the Liquidating Trust Agreement and shall include, among other things: (a) the power to sell, lease, license, abandon or otherwise dispose of all remaining assets of the Liquidating Trust Estate subject to the terms of this Plan; (b) the power to effect distributions under this Plan to the Holders of Allowed Claims; (c) the authority to pay all costs and expenses of administering the Liquidating Trust Estate after the Effective Date, including the power to employ and compensate Persons to assist the Liquidating Trustee in carrying out the duties hereunder, and to obtain and pay premiums for insurance and any other powers necessary or incidental thereto; (d) the power to implement this Plan including any other powers necessary or incidental thereto; (e) the authority to settle Disputed Claims, Avoidance Actions, Causes of Action, or disputes as to amounts owing to the Estate; (f) the authority to participate in any post-Effective Date motions to amend or modify this Plan or the Liquidating Trust Agreement, or appeals from the Confirmation Order; (g) the authority to participate in actions to enforce or interpret this Plan; and (h) the power to bind the Liquidation Trust. Each of the foregoing powers may be exercised by the Liquidating Trustee without further order of the Bankruptcy Court. Notwithstanding any of the foregoing, the Liquidating Trustee may not materially amend or alter the terms and provisions of this Plan.

The authority of the Liquidating Trustee will commence as of the Effective Date and will remain and continue in full force and effect until all of the Assets are liquidated in accordance with the Plan, the funds in the Liquidating Trust have been completely distributed in accordance with the

Plan, all tax returns and any other filings or reports have been filed with the appropriate state or federal regulatory authorities and the Order closing the Chapter 11 Case is a Final Order.

8.5 Establishment of the GUC Account

On the Effective Date or as soon as practicable thereafter, the Liquidating Trustee shall create the GUC Account. The GUC Account shall consist of all Assets belonging to the Liquidation Trust Estate that are not part of the Secured Creditor Allocation. On the Effective Date or as soon as practicable thereafter, and only to the extent that sufficient funds exist, the Liquidating Trustee shall make the initial distribution to Holders of Allowed Class 4A Claims. The timing of additional distributions to Holders of Allowed Class 4A Claims and Allowed Class 4B Claims shall be in the exercise of the Liquidation Trustee's sound discretion, based on the amount of Liquidation Proceeds on hand, the terms of this Plan and the Secured Creditor Settlement Agreement, whether there remain any unpaid Administrative Expense Claims or Priority Claims and the amount of Class 4A Claims and Class 4B Claims that have been Allowed at the time, and the status of pending litigation, if any, affecting such distributions.

8.6 Establishment of the Reserve

From the GUC Account, the Liquidating Trustee shall create a reserve in an amount sufficient to pay for the post-Effective Date expenses of the Liquidating Trust (including compensation to the Liquidating Trustee and his Professionals). In addition, in accordance with the terms of this Plan or the Liquidating Trust Agreement, the Liquidating Trustee may include in the Reserve funds to pay Disputed Claims in the event that all or a portion of such Claims become Allowed Claims. As a Disputed Claim is Allowed or Disallowed (and thus becomes an Allowed Claim or a Disallowed Claim, in whole or in part), the funds set aside on account of such Disputed Claim shall be released from the respective account and shall be distributed in accordance with the terms of this Plan to either (i) the Holder of the Disputed Claim that has become an Allowed Claim,

or (ii) if Disallowed, the Holders of Allowed Claims. Consistent with the Plan, the Liquidating Trustee, in its sole discretion, on and after the Effective Date, shall have authority to increase or decrease the Reserve, as appropriate, and upon satisfaction of all Allowed Claims required to be paid from the Reserve, to transfer amounts held therein to the GUC Account.

8.7 Use of Existing Accounts

The Liquidating Trustee may use the Debtor's existing bank accounts (as of the Effective Date) for such purposes, to the extent possible and desired. The Liquidating Trustee also may close the Debtor's existing bank accounts, at his discretion, and transfer all amounts therein to one or more accounts, in accordance with the terms of this Plan. Alternatively, notwithstanding any provisions to the contrary in this Plan, the Liquidating Trustee may invest some or all of the funds that would otherwise be deposited into the accounts established pursuant to the Plan in allowed investments under applicable non-bankruptcy law.

8.8 Employment and Compensation

The Liquidating Trustee shall serve without bond and shall receive such compensation for serving as Trustee as set forth in the Liquidating Trust Agreement. At any time after the Effective Date and without further Order of the Bankruptcy Court, the Liquidating Trustee may employ Persons or Entities, including Professionals (which may, but need not, include Professionals previously or currently employed in the Chapter 11 Case), reasonably necessary to assist the Liquidating Trustee in the performance of his duties under the Liquidating Trust Agreement and this Plan. Such Persons or Entities shall be compensated and reimbursed by the Liquidating Trustee for their reasonable and necessary fees and out of pocket expenses on a monthly basis in arrears.

All requests for payment of fees and expenses by the Liquidating Trustee and any professionals employed thereby shall be served (with a 10-day period to object) on the persons listed on the Post-Effective Date Notice List created pursuant to Section 13.6 of this Plan. If no

objection is received, by the Liquidating Trustee or such Professional within the 10-day period, the Liquidating Trustee may pay the fees and expenses without the need for further review or approval of the Bankruptcy Court or any other party. If an objection to the payment of fees and expenses incurred by the Liquidating Trustee or professionals employed by the Liquidating Trustee is received within the 10-day period, and such objection cannot otherwise be resolved, the Liquidating Trustee shall schedule a hearing in the Bankruptcy Court to resolve the objection. If an objection is received, the Liquidating Trustee shall timely pay the undisputed portion of the invoice and shall reserve monies in the amount of the disputed portion of the invoice pending such resolution. All fees and expenses of administration of the Liquidating Trust Estate and representation of the Liquidating Trustee shall be paid from the Reserve and the GUC Account, as applicable, after approval as specified above.

8.9 Vesting of Authority in Debtor Representative

Upon the Effective Date, the then-current members of the board of trustees and officers of the Debtor shall be relieved of their positions and corresponding duties and obligations; provided, however, that the Debtor Representative shall be responsible for effectuating transfers of Assets in accordance with this Plan and otherwise satisfying the Debtor's obligations under the terms of this Plan. On and after the Effective Date, the Debtor Representative shall have full and complete authority to act on behalf of and bind the Debtor without further action or approval of the Bankruptcy Court or the board of trustees of the Debtor. After the D&O and Tort Claims are liquidated and the proceeds are transferred to the Liquidating Trust Estate in accordance with this Plan, the Debtor Representative shall be empowered, but not directed, to effectuate the dissolution of the Debtor in accordance with the laws of the State of New Jersey.

8.10 Termination of the Committee; Creation of PEDCC

On the Effective Date, the Committee shall be dissolved, the retention and employment of the Committee's Professionals shall terminate and the members of the Committee will be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from and in connection with the Chapter 11 Case, other than for purposes of filing and/or objecting to applications for final Fee Applications filed in the Chapter 11 Case.

On the Effective Date, the Committee shall be replaced by a post-Effective Date official creditors' committee (the "PEDCC") that shall consist of not less than three (3) Persons or Entities that are beneficiaries of the Liquidating Trust. The identities of the Persons and/or Entities that will serve on the PEDCC as of the Effective Date will be filed with the Court no later than five (5) days before the Confirmation Hearing. The PEDCC may also include such other Persons or Entities (including *ex officio* members) as may be requested by the PEDCC, which Persons or Entities shall have agreed to participate in the performance of the PEDCC's functions as set forth in this Plan. The PEDCC's sole function and responsibility shall be to advise and instruct the Liquidating Trustee (as defined in the Liquidating Trust Agreement) in the performance of the Liquidating Trustee's duties and obligations under the Plan with respect to the liquidation of Assets belonging to the Holders of Allowed Claims in Class 4A and Class 4B of the Plan. The members of the PEDCC shall serve without compensation, but may be reimbursed for reasonable expenses incurred in the performance of their duties as members of the PEDCC.

8.11 Liquidating Trustee as Successor in Interest to the Debtor and Committee

Except as to the D&O and Tort Claims, the Liquidating Trustee is the successor in interest to the Debtor and the Committee, and thus, after the Effective Date, to the extent this Plan requires an action by the Debtor (and except as it relates to the D&O and Tort Claims), the action shall be taken by the Liquidating Trustee on behalf of the Debtor and the Creditors' Committee, as

applicable. The Liquidating Trustee may not materially amend or alter the terms and provisions of this Plan.

For federal and applicable state income tax purposes, all parties (including, without limitation, the Debtor, the Liquidating Trustee and the beneficiaries of the Liquidating Trust Estate) shall treat the transfer of assets to the Liquidating Trust in accordance with the terms of this Plan, as a sale by the Debtor of such assets to the Liquidating Trust Estate at a selling price equal to the fair market value of such assets on the Effective Date. The Liquidating Trust shall be treated as the owner of all assets that it holds. Whether the Holders of Allowed Claims must include in gross income a distribution of money or property from the Liquidating Trust Estate at the time of such distribution will generally be determined by reference to the Claim in respect of which the distribution is made.

8.12 Termination of the Liquidating Trust Estate

The existence of the Liquidating Trust and the authority of the Liquidating Trustee will commence as of the Effective Date and will remain and continue in full force and effect until all of the Assets are liquidated in accordance with the Plan, the funds in the Liquidating Trust have been completely distributed in accordance with the Plan, all tax returns and any other filings or reports have been filed with the appropriate state or federal regulatory authorities and the Order closing the Chapter 11 Case is a Final Order.

At such time as the Liquidating Trust has been fully administered (i.e., when all things requiring action by the Liquidating Trustee have been done, and the Plan has been substantially consummated) and in all events within sixty (60) days after the Final Distribution Date, the Liquidating Trustee will file an application for approval of its final report and the entry of the final decree by the Bankruptcy Court.

8.13 Objections to Claims

(a) Objection Procedures

The Liquidating Trustee shall have the right and standing to (i) object to and contest the allowance of any Disputed Claim, (ii) compromise and settle any objections to Disputed Claims without Bankruptcy Court approval, subject to the notice procedure set forth in subsection (b) of this section 8.13; and (iii) litigate to final resolution objections to Disputed Claims. No distribution shall be made pursuant to this Plan to a Holder of a Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

All objections to Claims must be filed with the Bankruptcy Court, and served upon the Holders of such Claims, on or before the one hundred eightieth (180th) day after the Effective Date, except as extended by an agreement between the claimant and the Liquidating Trustee, or by order of the Bankruptcy Court upon a motion filed by the Liquidating Trustee. If an objection has not been filed to a proof of Claim within this 180-day period, the Claim to which the proof of Claim relates shall be treated as an Allowed Claim for purposes of distribution under this Plan; provided, however, that if the Holder of the Claim is a debtor under any chapter of the Bankruptcy Code, the deadline shall be thirty (30) days after the Liquidating Trustee obtains relief from stay or other relief that will permit the filing of an objection to such Claim.

(b) Resolution of Disputed Claims

If the Holder of a Disputed Claim and the Liquidating Trustee agree to a settlement of such Holder's Disputed Claim where the amount in dispute does not exceed \$100,000, the Liquidating Trustee shall be authorized to enter into and effectuate such settlement without any further notice or approval of the Bankruptcy Court, and the settled Claim shall be deemed an Allowed Claim. If the Holder of a Disputed Claim and the Liquidating Trustee agree to a settlement of such Holder's Disputed Claim where the amount in dispute exceeds \$100,000, the Liquidating Trustee shall provide notice of the proposed settlement (with a 10-day period to object) to the Persons or Entities on the Post-Effective Date Notice List. If no objection is received within the 10-day period, the settled Claim shall be deemed to be an Allowed Claim, without the need for further review or approval of the Bankruptcy Court or any other party. If an objection to a proposed settlement is received within the 10-day period and such objection cannot otherwise be resolved, then the Liquidating Trustee shall schedule a hearing in the Bankruptcy Court to resolve the objection.

Until such time as a contingent Claim or a contingent portion of a Claim becomes Allowed or is Disallowed, such Claim will be treated as a Disputed Claim for all purposes related to distributions under the Plan. The Holder of a contingent Claim will only be entitled to a distribution under the Plan when and if such contingent Claim becomes an Allowed Claim.

ARTICLE IX

PROVISIONS GOVERNING DISTRIBUTIONS

9.1 Delivery of Distributions

9.1.1 General

Distributions to Holders of Allowed Claims shall be made at the address of the Holder of such Claim as indicated on the records of the Debtor, or a filed proof of Claim, as applicable.

Distributions on account of the Class 4B Claim shall be made to the Master Trustee for further distribution in accordance with the Master Trust Indenture.

9.1.2 Undeliverable Distributions

If any Allowed Claim Holder's distribution is returned as undeliverable, no further distributions shall be made to such Holder unless and until the Liquidating Trustee is notified in writing of such Holder's then-current address. Undeliverable distributions shall remain in the possession of the Liquidating Trustee until such time as a distribution becomes deliverable. Undeliverable Cash shall not be entitled to any interest, dividends or other accruals of any kind. Within 20 days after the end of each Quarter following the Effective Date, the Liquidating Trustee shall make all distributions that become deliverable during the preceding Quarter, except as otherwise provided herein.

9.1.3 Failure to Claim Undeliverable Distributions

In an effort to ensure that all Holders of valid Claims receive their allocated distributions, the Liquidating Trustee will file with the Bankruptcy Court a listing of unclaimed distribution Holders. This list will be maintained and updated as needed for as long as the Chapter 11 Case stays open. Any Holder of an Allowed Claim that does not assert a Claim pursuant to the Plan for an undeliverable distribution within three months after the first attempted delivery shall have its Claim for such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against the Debtor, the Liquidating Trust Estate, the Disbursing Agent Reserve, the Reserve, or the Liquidating Trustee, or their respective property. In such cases, any Cash held for distribution on account of such Claims shall be property of the Liquidating Trust Estate, free of any restrictions thereon, and shall revert to the account from which such payment was originally issued to be distributed pursuant to the Plan. Nothing contained in the Plan shall require the Liquidating Trustee to attempt to locate any Holder of an Allowed Claim.

9.2 Compliance with Tax Requirements

In connection with the Plan, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. For tax purposes, distributions received in respect of Allowed Claims will be allocated first to the principal amount of Allowed Claims with any excess allocated, if applicable, to unpaid interest that accrued, on such Claims.

9.3 Minimum Distributions

If the amount of Cash to be distributed to the Holder of an Allowed Claim is less than \$25 on a particular Distribution Date, the Trustee may hold the Cash distributions to be made to such Holder until the aggregate amount of Cash to be distributed to such Holder is in an amount equal to or greater than \$50. Notwithstanding the preceding sentence, if the amount of Cash distribution to any Holder of an Allowed Claim never aggregates more than \$50, then the Liquidating Trustee shall not be required to distribute Cash to any such Holder.

9.4 Rounding

Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent, with one-half cent being rounded up to the nearest whole cent.

9.5 Setoffs and Recoupments

The Liquidating Trustee may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, exercise the right of setoff or recoupment against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before distribution is made or account of such Claim), the claims, rights and causes of action of any nature that the Debtor may hold against the Holder of such Allowed Claim; provided, however, that neither the failure to effect

such a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by the Liquidating Trustee of any such claims, rights and causes of action that the Liquidating Trust may possess against such Holder.

9.6 Settlement of Claims and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under this Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of claims or controversies relating to the contractual and legal rights that a Holder of a Claim may have with respect to any Allowed Claim, or any distribution to be made on account of such an Allowed Claim.

ARTICLE X

PROCEDURES FOR TREATMENT OF DISPUTED CLAIMS

10.1 Payments and Distributions on Disputed Claims

Notwithstanding any provision in the Plan to the contrary, except as otherwise agreed by the Liquidating Trustee, in his sole discretion, no partial payments and no partial distributions will be made with respect to a Disputed Claim until such disputes are resolved by settlement or Final Order. Notwithstanding the foregoing, any Person or Entity who holds both an Allowed Claim(s) and a separate and distinct Disputed Claim(s) will receive the appropriate payment or distribution on account of the Allowed Claim(s), although, except as otherwise agreed by the Liquidating Trustee in its sole discretion, no payment or distribution will be made on the Disputed Claim(s) until such dispute is resolved by settlement or Final Order. In the event there are Disputed Claim(s) requiring adjudication and resolution, the Liquidating Trustee reserves the right, or upon order of the Bankruptcy Court, to establish appropriate reserves for potential payment of such Claims.

10.2 Safekeeping of Distributable Property

Pending entry of a Final Order determining an objection to any Disputed Claim, the Liquidating Trustee shall take appropriate steps to safeguard the Cash, notes or other instruments that would be distributed on account of such Claim if Allowed, but the Liquidating Trustee shall not be required to establish any formal escrow or reserve for such distributable property unless it determines, or the Bankruptcy Court orders, that an escrow or reserve is necessary to insure that such property is available if and when such Claim is Allowed.

10.3 Allowance of Claims

Except as expressly provided herein or in any order entered in the Chapter 11 Case prior to the Effective Date (including the Confirmation Order), no Claim shall be deemed Allowed, unless and until such Claim is deemed Allowed under the Plan, the Bankruptcy Code or the Bankruptcy Court enters a Final Order in the Chapter 11 Case allowing such Claim. Except as expressly provided in the Plan or in any Order entered in the Chapter 11 Case prior to the Effective Date (including the Confirmation Order), the Liquidating Trust Estate on and after the Effective Date will have and retain any and all rights and defenses the Debtor had with respect thereto as of the Petition Date.

ARTICLE XI

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Case until the Chapter 11 Case is closed, including jurisdiction to issue any other order necessary to administer the Estate or the Liquidating Trust Estate and enforce the terms of this Plan, and/or the Liquidating Trust Agreement pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To determine the type, Allowance and payment of any Claims upon any objections thereto (or other appropriate proceedings) by the Liquidating Trustee or any other party-in-interest entitled to proceed in that manner;

(b) Except as otherwise limited herein, to recover all assets of the Debtor and property of the Debtor's Estate, wherever located;

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

(d) To hear any other matter not inconsistent with the Bankruptcy Code;

(e) To enter a final decree closing the Chapter 11 Case;

(f) To ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

(g) To decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtor that may be pending on or instituted by the Liquidating Trustee after the Effective Date;

(h) To issue injunctions, enter and implement other Orders or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the occurrence of the Effective Date or enforcement of the Plan, except as otherwise provided herein;

(i) To determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;

(j) To enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and

rulings entered in connection with the Chapter 11 Case (whether or not the Chapter 11 Case has been closed);

(k) To adjudicate any adversary proceeding or other proceeding commenced by the Estate, the Committee or the Liquidating Trustee against Pamrapo Savings Bank, S.L.A. and, without limitation, any adversary proceeding or other proceeding which may be commenced against any Person or Entity arising from, related to, or in connection with any avoidance action; the D&O and Tort Claims; claims against third parties (including purchasers of property and professionals hired by the Debtor) relating to the facts and circumstances surrounding the D&O and Tort Claims; and the failed sale of the Debtor's assets to Urban Suburban, LLC;

(l) To adjudicate or resolve disputes concerning the Secured Creditor Settlement or any Claim or right preserved under the Secured Creditor Settlement;

(m) To resolve disputes concerning any reserves with respect to Disputed Claims or the administration thereof; and

(n) To resolve any disputes concerning whether a Person or Entity had sufficient notice of the Chapter 11 Case, the Claims Bar Date, the hearing on the approval of the Disclosure Statement as containing adequate information, the hearing on the confirmation of the Plan for the purpose of determining whether a Claim is discharged hereunder or for any other purpose.

ARTICLE XII

RELEASES AND RELATED PROVISIONS

12.1 Term of Bankruptcy Injunction or Stays

All injunctions or stays provided for in the Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. Except as otherwise expressly provided in the Plan or to the extent necessary to enforce the terms and conditions of the Plan, the Confirmation Order or a

separate Order of the Bankruptcy Court, all entities who have held, hold, or may hold Claims against the Debtor, are permanently enjoined, on and after the Confirmation Date, from (A) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim, (B) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or Order against the Debtor, the Liquidating Trust or the Liquidating Trustee on account of any such Claim, (C) creating, perfecting or enforcing any encumbrance of any kind against the Debtor or against the property or interests in property of the Debtor on account of any such Claim and (D) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor on account of any such Claim. Such injunction shall extend for the benefit of the Debtor Representative, the Liquidating Trustee and any successors of the Debtor, and to any property and interests in property subject to this Plan. Nothing in the Plan shall constitute a discharge of any claims or other rights which the United States Department of Health and Human Services may have against IJKG, LLC in connection with the assignment of the Debtor's Medicare provider agreement.

12.2 Exculpation

To the extent allowed by Section 1125(e) of the Bankruptcy Code, neither the Debtor nor its officers, nor trustees, nor the Committee and its members, nor the Disbursing Agent, nor any of the Chapter 11 Professionals, will have or incur any liability to any Holder of a Claim or Interest, or any other party-in-interest, Person or Entity or any of their respective agents, employees, representatives, financial advisors, attorneys, affiliates or any of their successors or assigns, for any act or omission occurring after the Petition Date and in connection with, relating to, or arising out of the Chapter 11 Case, formulation, negotiation or implementation of the Plan, solicitation of acceptances of the Plan, the pursuit of Confirmation of the Plan, the consummation of the plan, or

the administration of the Plan or the property to be distributed under the Plan except for their bad faith, willful malfeasance, reckless disregard of duty, gross negligence, willful fraud, willful misconduct, self-dealing or breach of fiduciary duty as determined by a Final Order of the Bankruptcy Court.

12.3 Limitation on Liability of Liquidating Trustee

The Liquidating Trustee will not be liable for any act he may do or omit to do as Liquidating Trustee under the Plan and the Liquidating Trust Agreement while acting in good faith and in the exercise of his reasonable business judgment; nor will the Liquidating Trustee be liable in any event except for gross negligence, willful fraud or willful misconduct. The foregoing limitation on liability also will apply to any Person (including any Liquidating Trustee Professional) employed by the Liquidating Trustee and acting on behalf of the Liquidating Trustee in the fulfillment of the Liquidating Trustee's duties hereunder or under the Liquidating Trust Agreement. The Liquidating Trustee and all Liquidating Trustee Professionals shall also be entitled to indemnification out of the assets of the Liquidating Trust against any losses, liabilities, expenses (including attorneys' fees and disbursements), damages, taxes, suits or claims that the Liquidating Trustee may incur or sustain by reason of being or having been a Liquidating Trustee of the Liquidating Trust or for performing any functions incidental to such service; provided, however, that the foregoing shall not relieve the Liquidating Trustee and the Liquidating Trustee's Professionals from liability for bad faith, willful misfeasance, reckless disregard of duty, gross negligence, fraud, self-dealing or breach of fiduciary duty.

The Liquidating Trust is deemed to release each Person and Entity exculpated under this Subsection from any liability arising from any act or omission occurring after the Petition Date and in connection with, relating to or arising out of the Chapter 11 Case, except as provided herein.

12.4 D&O and Tort Claims and Limitations Thereon

Notwithstanding any provision of this Plan or any Order entered in the Case to the contrary, the confirmation of the Plan or the entry of the Confirmation Order shall not release, waive, limit or affect the ability of the Debtor or, after the Effective Date of the Plan, the Debtor Representative, to pursue claims which are “Covered Claims” (as defined herein) under any and all Officers and Directors Liability Policies issued to the Debtor, including but not limited to that certain Claim Made Insurance Policy Number 966-24-02 (replacing Policy No. 625-40-58) issued by National Union Fire Insurance Company of Pittsburgh, PA/AIG, and any replacement or continuation thereof (hereinafter, collectively, the “D&O Policies,” each a “D&O Policy”). As used herein, the term “Covered Claims” shall mean claims and causes of action which are of the type of claims and causes of action (i) which are covered under a D&O Policy, or (ii) which would be covered under a D&O Policy or otherwise constitute a Claim (as defined in the applicable D&O Policy) or a Loss (as defined in the applicable D&O Policy) under a D&O Policy, even if the insurance carrier that issued the applicable D&O Policy disclaims or denies coverage thereunder because of, among other things, (i) any defense to coverage or payment which the insurance carrier has or may have under the D&O Policy, including, but not limited to, the failure of any Insured to have provided timely notice of such claims, or (ii) other defenses to coverage which the insurance carrier may raise as a result of the non-compliance with, or breach of, the terms, conditions, obligations or limitations of the D&O Policy. No Insured shall be under any obligation to expend personal funds to obtain a determination as to coverage under a D&O Policy (the “Coverage Determination”). However, in the event an Insured determines not to seek a Coverage Determination, the Insured shall promptly notify the Debtor or, after the Effective Date, the Debtor Representative, of same, and if the Debtor or Debtor Representative desires, at its sole option and discretion, that the Insured obtain a Coverage Determination, the Insured will cooperate with the Debtor or the Debtor Representative,

as applicable, in seeking a Coverage Determination, so long as the Debtor or, after the Effective Date, the Debtor Representative agrees to bear all reasonable expenses to be incurred by such Insured in seeking a Coverage Determination.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Certain additional miscellaneous information regarding the Plan and the Chapter 11 Case is set forth below.

13.1 Conditions to Confirmation and the Effective Date

The following are conditions precedent to the occurrence of Confirmation and the Effective Date, each of which must be satisfied or waived in writing:

(a) the Confirmation Order, authorizing and directing that the Debtor take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, and other agreements or documents created in connection with the Plan and the transactions contemplated thereby, including, without limitation, the transactions contemplated by the Liquidating Trust Agreement, shall have been entered and become a Final Order;

(b) the statutory fees owing to the United States Trustee shall have been paid in full;

(c) the Liquidating Trustee has accepted, in writing, the terms of his service and compensation, and such terms and compensation shall have been approved by the Bankruptcy Court in the Confirmation Order;

(d) the Liquidating Trust has been established; and

(e) all other actions, authorizations, consents and regulatory approvals required (if any) and necessary to implement the provisions of the Plan shall have been obtained,

effected or executed in a manner acceptable to the Debtor and the Committee or, if waivable, waived by the Person or Persons entitled to the benefit thereof.

13.2 Effect of Failure of Condition

If each condition to the Effective Date has not been satisfied or duly waived within thirty (30) days after the Confirmation Date, then (unless the period for satisfaction or waiver of conditions has been extended at the joint option of the Plan Proponents for a period not exceeding sixty (60) days) upon motion by any party in interest, made before the time that each of the conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that notwithstanding the filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived by the Plan Proponents or the Liquidating Trustee, as the case may be, before the Bankruptcy Court enters a Final Order granting such motion. If the Confirmation Order is vacated pursuant to this Section 13.2, the Plan shall be deemed null and void in all respects, and nothing contained herein shall (A) constitute a waiver or release of any Claims by or against the Debtor or (B) prejudice in any manner the rights of the Debtor or the Committee.

13.3 Waiver of Conditions to Confirmation and Effective Date

The Debtor and the Committee, jointly and in their sole discretion, may waive any or all of the conditions to Confirmation and the Effective Date, in whole or in part, at any time, without notice or an Order of the Bankruptcy Court. In that event, the Debtor and the Committee will be entitled to render any or all of their performance under the Plan prior to what otherwise would be the Effective Date if the above-referenced conditions were not waived, including, but not limited to, the right to perform under any circumstances which would moot any appeal, review, or other

challenge of any kind to the Confirmation Order if the Confirmation Order is not stayed pending such appeal, review, or other challenge. The failure to satisfy or to waive any condition may be asserted by the Debtor or the Committee regardless of the circumstances giving rise to failure of such condition to be satisfied (including any action or inaction by the Debtor). The failure of the Debtor or the Committee to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each such right will be deemed an ongoing right that may be asserted at any time.

13.4 Modification of the Plan

The Plan and any Exhibits thereto may be modified by the Debtor and the Committee, or the Liquidating Trustee, as applicable, from time to time in accordance with Bankruptcy Code section 1127 and Bankruptcy Rule 3019. The Plan and any Exhibits thereto may be modified by the Debtor and the Committee at any time before the entry of the Confirmation Order pursuant to section 1127(a) of the Bankruptcy Code; and (ii) after the entry of the Confirmation Order, the Debtor and the Committee, or the Liquidating Trustee, as applicable may, upon Order of the Bankruptcy Court, amend or modify the Plan and any Exhibits thereto in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

Objections with respect to any amendments or modifications to the Plan filed after the deadline for objections to the Plan, as set by the Bankruptcy Court, may be brought at the Confirmation Hearing. The Plan, and any modification or supplement thereof, may be inspected in the Office of the Clerk of the Bankruptcy Court or its designee during normal business hours. Holders of Claims may obtain a copy of the Plan and any supplement or modification, if any, by contacting the Debtor's counsel at (973) 535-0500 or by reviewing such document on the internet at <http://www.kccllc.net/bayonne>. The documents annexed to the Disclosure Statement or contained

in any modification or supplement to the Plan or the Disclosure Statement are an integral part of the Plan and shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

13.5 Extension of Time

For cause shown, any deadlines herein which are applicable to the Debtor or the Liquidating Trust Estate and which are not otherwise extendable, may be extended by the Bankruptcy Court.

13.6 Post-Effective Date Notice List

Because certain Persons may not desire to continue to receive notices after the Effective Date, this Plan provides for the establishment of a Post-Effective Date Notice List. Persons on such Post-Effective Date Notice List will be given certain notices and in some cases an opportunity to object to certain matters under this Plan (as described herein). Any Person desiring to be included in the Post-Effective Date Notice List must (i) file a request to be included on the Post-Effective Date Notice List and include thereon its name, contact person, address, telephone number and facsimile number, within thirty (30) days after the Effective Date, and (ii) concurrently serve a copy of its request to be included on the Post-Effective Date Notice List on the Liquidating Trustee and its counsel. On or before sixty (60) days after the Effective Date, the Liquidating Trustee shall compile a list of all Persons on the Post-Effective Date Notice List and file such list with the Bankruptcy Court. Those parties set forth in Section 13.10 shall be included in the Post-Effective Date Notice List without the necessity of filing a request.

13.7 Revocation of Plan

Each of the Plan Proponents reserves the right to revoke or withdraw the Plan prior to the Effective Date and to file subsequent plans of reorganization. If the Plan is withdrawn or revoked, or if confirmation or consummation of the Plan does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or

limiting to an amount certain any Claim or Class of Claims, but excepting the settlement embodied in the Secured Creditor Settlement Agreement), assumption or rejection of Executory Contracts or leases affected by the Plan, and any document or agreement executed pursuant hereto, shall be deemed null and void, and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against the Debtor or any other person, (ii) prejudice in any manner the Debtor's or any other Person's rights, or (iii) constitute the Debtor's or any other Person's admission of any sort.

13.8 Successors and Assigns

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

13.9 Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the filing of the Plan, any statement or provision contained in the Plan, nor the Debtor's taking of any action with respect to the Plan or the Disclosure Statement shall be or shall be deemed to be an admission or waiver of any of the Debtor's rights with respect to the Holders of Claims prior to the Effective Date.

13.10 Service of Documents

Any pleading, notice or other document required or permitted to be made in accordance with this Plan shall be made in writing and shall be delivered personally, by facsimile transmission or by first class U.S. mail, postage prepaid, as follows:

To the Debtor:	Cooley Godward Kronish, LLP 1114 Avenue of the Americas New York, NY 10036 Attn: Adam C. Rogoff, Esq. Facsimile: (212) 479-6275
with copies to:	Connell Foley LLP 85 Livingston Avenue Roseland, NJ 07068 Attn: Stephen V. Falanga, Esq. Facsimile: (201) 535-9217
To the Debtor Representative or to the Liquidating Trustee:	Allen D. Wilen, CPA Amper, Politziner & Mattia, P.A. 2015 Lincoln Hwy. P.O. Box 988 Edison, NJ 08818-0988 Facsimile: (732) 287-7860

To the Creditors' Committee
or PEDCC:

Sills Cummis & Gross, P.C.
One Riverfront Plaza
Newark, New Jersey 07102
Attn: Andrew H. Sherman, Esq.
Facsimile: (973) 643-6500

To the Office of the United
States Trustee

Office of the United States Trustee
One Newark Center, Suite 2100
Newark, NJ 07102

13.11 Filing of Additional Documents and Notice of Effective Date

On or before the Effective Date, the Debtor and/or the Committee may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Liquidating Trustee shall file a notice of the Effective Date as soon as practicable after the Effective Date and shall serve such notice on all parties that are entitled to notice under Bankruptcy Rule 2002.

13.12 Post Confirmation Date Fees and Expenses

From and after the Confirmation Date, the Debtor or the Liquidating Trustee, as applicable, shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable compensation and expenses incurred by the Professionals of the Debtor, its Estate, and the Liquidating Trust, as applicable, related to the consummation and implementation of the Plan, which post-confirmation compensation and expenses shall be paid by the Liquidating Trustee in accordance with the notice procedures provided in Section 8.8 of this Plan.

13.13 Severability

The provisions of the Plan shall not be severable unless the Debtor and the Committee agree to such severance and such severance would constitute a permissible modification of the Plan pursuant to section 1127 of the Bankruptcy Code.

13.14 Conflicts

To the extent any provision of the Plan, Disclosure Statement, or the Liquidating Trust Agreement, or any document executed by the Debtor in connection therewith or any documents executed by the Debtor in connection with the Confirmation Order (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing) conflicts with, or is in any way inconsistent with, the Secured Creditor Settlement Agreement, the terms and provisions of the Secured Creditor Settlement Agreement shall govern and control.

13.15 Entire Agreement

The Plan, and any supplements or amendments hereto, supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects (other than the Liquidating Trust Agreement), all of which have become merged and integrated into the Plan.

13.16 Governing Law

Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the principles of conflicts of law of such jurisdiction.

13.17 Closing of the Chapter 11 Case

The Liquidating Trustee shall promptly, upon the full administration of the Chapter 11 Case, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable, Order of the Bankruptcy Court to close the Chapter 11 Case of Bayonne Medical Center.

13.18 Survival of the Secured Creditor Settlement Agreement

The Secured Creditor Settlement Agreement and the terms and conditions thereof shall survive the Effective Date and be binding upon the Debtor, the Liquidating Trustee, each of the parties to the Secured Creditor Settlement Agreement, and any of their respective successors or assigns.

13.19 Survival of the MTI Documents and Instruments

Except as otherwise expressly provided in this Plan with regard to Claims in Classes 2 and 4A, nothing herein shall alter, impair, modify, or affect the rights or obligations of any party to the Master Trust Indenture, any Obligation issued thereunder, including without limitation, the rights and obligations of the Bond Trustee and the New Jersey Health Care Facilities Financing Authority under the 1994 Series Resolution and the 1998 Series Resolution (collectively, the “Series Resolutions”) and related documents, the rights and obligations of Financial Security Assurance, Inc. thereunder or under the Municipal Bond Insurance Policy relating thereto, and the bonds issued pursuant to the Series Resolutions and the rights of holders of the bonds, and all such documents, rights, and obligations shall survive the Effective Date and shall remain in full force and effect in accordance with their terms. Without limiting the foregoing in any way, the distribution provisions of the Master Trust Indenture shall remain in effect for the purpose of making distributions to the holders of the Obligations, including the Bond Trustee, and the Bond Trustee shall hold such distributions in accordance with the Series Resolutions.

13.20 Rules of Interpretation

For purposes herein: (a) any reference herein to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and

conditions; (b) any reference herein to an existing document or exhibit filed, or to be filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented from time to time; (c) unless otherwise specified, all references herein to articles and sections are references to articles and sections of this Plan; (d) the words “herein,” “hereof,” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan; (e) captions and headings to articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (f) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (g) all exhibits to this Plan are incorporated into this Plan, and shall be deemed to be included in this Plan, regardless of when filed with the Bankruptcy Court; (h) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply; and (i) whenever a distribution of property is required to be made on a particular date, the distribution shall be made on such date, or as soon as practicable thereafter.

BAYONNE MEDICAL CENTER,
A New Jersey Not for Profit Corporation

By: /s/ Ruth Dugan
Name: Ruth Dugan
Title: Chair, Board of Trustees

-and-

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF BAYONNE MEDICAL
CENTER

By: /s/ H. Mickey McCabe
Name: H. Mickey McCabe
Title: Chair

Dated: February 23, 2009